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VOLUME I

THE

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VOLUME I

BUSINESS MANAGEMENT

INDEX

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BUSINESS MANAGEMENT

I—MAKING GOOD AT THE MANAGER'S DESK

Editorial by John Wanamaker 7

I THE HARDEST QUESTION IN BUSINESS 9
By Carroll D. Murphy

II TAKING YOUR PROBLEMS TO PIECES 25
By John H. Hanan,
President, Hanan and Son

III HOW THE EXECUTIVE KEEPS IN TOUCH 33
By Kendall Banning

II—MANAGING MEN, MONEY AND DETAIL

Editorial by Clarence S. Funk 43

IV TRAINING MEN FOR LEADERSHIP 45
By Frederick A. Delano,
Receiver and Former President, The Wabash Railroad

V THE MONEY END OF MANAGEMENT 51
By George H. Cushing

VI SHORT CUTS IN EXECUTIVE WORK 59
By George H. Cushing, and Wesley A. Stanger, Manager, Royal Typewriter Company, Chicago Branch

III—HOW FOURTEEN MANAGERS HANDLED THEIR BIGGEST PROBLEMS

Editorial by Edward B. Butler 71

VII HOW SIX PROPRIETORS MADE GOOD 73
By Don E. Mowry

VIII HOW I WENT INTO BUSINESS FOR MYSELF . 86
By Albert Hoefeld, President, Albert Hoefeld, Incorporated; Vincent C. Price, Founder, Price Baking Powder Company; Joseph E. Haskell, President, Haskell Brothers; Benjamin F. DeMuth, Formerly of DeMuth and Company

IX THE POLICY BEHIND NEW YORK'S OLDEST STORE 99
By Edward Mott Woolley

X **Building a Business to Order** . . . . . . [illegible]
From an Interview Given by H. Gordon Selfridge,
Managing Director, Selfridge and Company

XI **Sixty Years in the Market Place** . . 119
By Zalmon G. Simmons,
Founder, Simmons Manufacturing Company

XII **Management Blunders to Avoid** 135
By Harlow N. Higinbotham,
President, The National Grocer Company
Former Credit Manager, Marshall Field & Company

SPECIAL ILLUSTRATIONS

I HOW TO KEEP YOUR BUSINESS IN BALANCE . . . 11
II REPORTS THAT GUIDE THE EXECUTIVE 35
III A MANAGER'S "TIME TABLE" 37
IV KEEPING SALES UP TO THE MARK 38
V FOLLOWING OVERTIME FIGURES 39
VI HOW TO RAISE MONEY 53
VII FOR THE EXECUTIVE'S DESK 63
VIII AN OFFICE "MAIL BAG" 67
IX HOW PARK AND TILFORD ORGANIZE THEIR STORES . . 107
X SELFRIDGE'S PLAN OF ORGANIZATION AND CONTROL . 115

COMPLETE INDEX FOR THE TEN VOLUMES

How to Use the Library 147
—FINDING A REFERENCE QUICKLY 148
—WHEN YOU WISH TO REFER BY AUTHOR 148
—SPECIAL POINTS ON LINES OF BUSINESS 149
—COMPLETE READING AND STUDY INDEX BY SUBJECTS . 149
Index 151-198

PART I—MAKING GOOD AT THE MANAGER'S DESK

My Measure of Success

THE architect and executive who design and direct and yet strive to do the bricklaying, will advance not far and will quickly wear out.

One who has the faculty fo right selection of responsible subordinates need also that wise sense of justice and appreciation which accords unstinted scope of action and generous recognition of results

The proverbial reluctance to allow those to enter the water whom we would have swim has given short measure to many a success.

A good executive finds, develops and leans upon those who can carry forward for him the increasing divisions of his single great work.

In all work, as in all knowledge, there is unlimited room for expansion and advancement. The business pyramid will find no circumscribing dome above which it cannot lift its capstone.

Therefore, granted breadth of field and the leader's personal equation, the degree and height of business mastery and success will accord absolutely with the number and efficiency of the supporting body of workers.

And the executive will have the deserved praise and reward of one whose admirable work has been to lead, to develop, to render productive; to add to the commonwealth of brain and things and character.

John Wanamaker

JOHN WANAMAKER

President, The Wanamaker Stores

I

THE HARDEST QUESTION IN BUSINESS*

By Carroll D. Murphy

"THAT'S the hardest question in business," exclaimed one of the half-dozen managers of distinguished enterprises recently asked to list the vital factors of control in an organization—to take apart the enterprises they have brought to success, and point out the ideas, policies, methods and results which seem to them so important that the chief himself should have them under his eye and hand.

Varied as were their replies—personal, keen, widely different in approach to the problem—yet throughout runs this central thread of management: that detail must be organized and everyday results made automatic; that the executive must keep proper perspective; that a manager's work is not to shoulder many little tasks, but to develop men and systems for present routine, and thus reserve his energies for the greater plans, decisions and initiatives on which the future is to be built.

"The measure of a manager's value," said Clarence Funk, "is his ability to put men in charge of his various departments who are stronger men in their lines than is he." "I expect to put in half of each day at the office after I am dead," Cyrus K. Curtis once said, humorously hinting at the organization of men and detail by which he gets things done present or absent. "The im-

portant thing," another skilful manager often says, in explaining his ability to extend his oversight throughout a great business, "is to distinguish significant from trivial detail." "I won't let detail get to me on any terms," replied J. S. Kendall in explaining how he sifted the important from the negligible. "The immediate loss from a small blunder is insignificant and I pay certain employees to analyze the day's work of the concern so that I can stop cumulative losses."

William A. Field's answer makes the same point, but in the nature of a warning to employees who aspire to managerial places. "Young men," said he, "try to handle too much detail and are crushed beneath their load." From his own experience, Edward B. Butler carried further the same hint to manager and men: "It is hard to get a man to let go of detail—to grow up into control—to think for his subordinates who do not think."

In his management John G. Shedd would subordinate personal initiative to nothing else. "Energetic originators in merchandising," said he, "may be stifled by surrounding them too thickly with figures and regulations. . . . . Going beyond a reasonable limit with statistics may kill the Napoleons of business." The strength which this composite initiative—the enthusiasms and energies of manager and men working together—gives to a business was neatly brought out by W. E. Clow: "I hire men to make me hump."

MONEY, *men and service are the tools of the executive —varying degrees in which they are brought into play in the five different types of management.*

The great essentials of a good manager are brilliantly summarized by two other men in control of great enterprises. "I want executives," E. A. Filene often says,

"who can think straight, handle men and buy money well." "Successful men," E. P. Ripley has said, "have always known how to organize, supervise and deputize."

The battle with detail and the problem of shaping men to your work—freedom from routine and sure contact

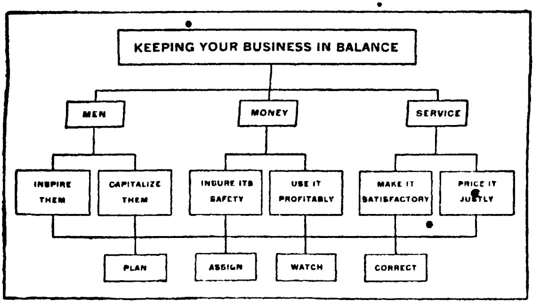


FIGURE I: The executive who keeps his organization properly balanced takes into consideration men, money and service, and exercises the four functions of planning tasks, assigning duties, watching results and correcting mistakes

with essentials—getting today's business done and planning a secure, progressive future—are suggested by all these executives as the essential aims and the true viewpoint of the manager. Closer study of the lines along which the ambitious employee, the personal proprietor and the corporation executive must work shows that the three great business mechanisms which the manager must control are *men, money* and *service*. According as different concerns emphasize one or another of these factors in their schemes of management, policies of executive control may be roughly divided under five headings:

(1) *Detail Management.* Most managers are driving themselves to their physical limit in the handling of the

details of service, employment and especially finances. Some executives have been literally crowded out of this position by the growth of the business and have taken a stand at some point along the current of trade, where by watching every order, every credit, every contract or expense item, they can fairly judge and control the business.

(2) *Money Management.* Many proprietors and directorates guide their businesses entirely by ledger statements and throw upon subordinates hired to round out their ability all other matters relating to the conduct of the enterprise. In one case a directorate which is managing a business entirely as a matter of investments and profits has never seen the chain of stores from which its dividends come. A detail manager pledged to enthusiasm by a generous salary has authority over everything except financial policies. The disadvantages of this plan are that there is no proprietary control of the methods used in dealing with the trade, nor of the spirit among the men; the business runs at high speed but roughly, with much jarring; and the management has too little real knowledge of conditions to forecast the future most effectively.

(3) *Leadership Management.* Encouragement and the rousing of enthusiasm among employees is the contribution this type of manager makes to his business. His is an enterprise that requires extraordinary initiative; his men have to be keyed up to the fighting spirit—they need the "flaming torch" to lead them. Systematized routine is, therefore, left to handle problems where a solution has been found and a precedent established. The management devotes itself to "breaking trail" in every new and difficult path of the enterprise.

(4) *Guiding Management.* Some managers and di-

rectorates put their entire organization as a t hands of their most brilliant executives, advising . aiding them to carry out for the profit of the concern whatever inspirations promise best or to exercise the particular genius of each. This is the type of business where the manager occupies a broad field and insists only on dividends rather than confining his business to a definite product or service. This policy is especially the recourse of a concern which has outgrown one line—the big business viewpoint, where the manager has perhaps realized his visions and depends on the inspirations of his men for further expansion.

(5) *Balanced Management.* Rockefeller's success is credited to the poise which he has always maintained in his corporation. In a business so balanced, neither men, money nor service has undue emphasis; no one department or method is allowed to excel or overtop others, but every part constantly learns from other lines; constantly is kept up to the mark and in proportion with all others. This type of management combines the last two and rounds out the incompleteness of all; the manager is not only a constant inspiration to all departments, but makes full use of whatever inspiration he can draw from his subordinates. He realizes the necessity of neglecting no present essential—neither men, investment nor service—and has so organized his method of securing reports, making brief studies in his various departments and arousing a partnership spirit among his men that he is free to dream ahead and plan a greater future for the enterprise.

Most men fall short of managerial success because they are one-sided. All of us have seen the proprietor who allows himself to be flattered on his weak points, equips himself with subordinates who duplicate rather

than round out his abilities, and dodges haphazard through each day's detail with no distinct scheme of management.

The problem of breaking away from this condition has been solved in a suggestive way by the manager of a real estate business that last year sold more than four million dollars' worth of property. This executive recently sat with a wholesaler in the latter's private office. Ten times within a half hour their talk was disturbed by salesmen coming in for O. K's on routine credits.

"You cleared a quarter of a million this last twelve months, didn't you?" the real estate man asked his friend. "Why not take six, eight, ten thousand dollars and hire an assistant who can sweep this detail off your desk and let you get at the bigger questions of your business?

"What subordinates will handle your task—what insurance have you made for the care of your family's property—when you can no longer do this pell mell day's work? One-third of your time, if you will figure up your own labor costs day by day, is spent as nothing but a routine credit manager."

"But I can't find the men," protested the wholesaler.

"You don't know your men," was the answer. "One of them I think so well of that I have been figuring with him on a similar position in my company."

A week later the wholesaler spent a half hour in the office of the real estate chief. The latter closed the door, sat down at his desk, reached under the edge of it and touched a buzzer once. "That means," said he, "that I am busy and do not wish to be interrupted. I pay my secretary one hundred and twenty-five dollars to know that now she is to take the numbers of any telephone calls for me, to round up any matters I need to

go over yet this evening and to get to me if something of prime importance turns up.

"Five years ago," he went on, "I was at this desk until eleven o'clock every night, going over contracts and ledgers. My business dropped off because my selling force had no head. Then I stopped—took the time to analyze my business and find what went into my job as manager."

This actual occurrence throws into sharp contrast what I have called detail and balanced management. Hundreds of such illustrations are at hand even among million dollar concerns. Routine-burdened proprietors insist upon O. K'ing every item which touches expenses or a contract; and thus take away the initiative of their men, interfere without full knowledge in departmental work and neglect to grasp the loose reins of company spirit, present service and future progress which lead up to their desks.

One executive has arranged that no contractural letter is valid without his pencil mark in the corner. Another has a hobby of picking up ideas among other plants, which he so forces upon his department heads that they "make believe" to use them even when valueless. A third executive who is strong as a salesman is constantly interfering on the artistic side in the making of his product, although his judgment on art is a joke.

DETAIL *knowledge of a business is essential for the manager, but too much attention to routine will make him inefficient—methods of money management.*

Study of the work of high executives indicates that they need a background of detail experience and that in emergencies they may have to handle the work of a department, but that they study themselves as frankly

as their employees and use their resources to hire men who shall round out their own abilities. Skilled lawyers are constantly at the service of department heads in order to guard contracts; and technical men in a dozen different lines are kept available by various managers who recognize, as Funk has said, that their greatest value is in securing and coordinating expert service.

Money management is an extreme of this type. There is in New York a body of men whose ability to manage money is drawing dividends from a score of middle western stores into which none of them has ever stepped. Of buying, of working with men, of planning for expansion and choosing "good towns" for additional branches, they know nothing. This ability they have bought in the persons of a trusty auditor and an experienced superintendent. They have limited the business to a cash basis, held down administrative problems to a minimum and are enabled to control successfully merely by holding the strings of local and total reports, capital and surplus, purchases, sales and expense, profits and dividends. By comparative and graphic financial reports, they are shaping the future of a business in which *capital* is the big factor. Their method has been to reduce men and service to their lowest terms and shrewdly to pick out the essentials in the control of funds.

INSPIRING *men to their best efforts is the method of one type of executive—guiding them in the field which he knows best is the method of another.*

An entirely different spirit is behind the policy of the manager who heads and inspires his men. He may have the other factors, finance, service, future plans, well in hand, but his biggest duty, as he sees it, is to lead

his men—to teach them that he asks them to go nowhere except where he will go first. He has worked out a course which his enterprise is to take, and in order to keep close to it, he goes first. Usually such a leader comes up from the selling side—a Chalmers, a Cottingham. He suits the enterprise where production is automatic or routine; where financing has been solved; where the packages that stream out to the shipping platform crowd the salesmen in their efforts. When, however, a mere field leader happens in control of an intricate producing machine, his instinct for fast work, attractive selling points, and competition among men may lead to an emphasis on appearance rather than quality and on the impossible promises of delivery which mark the business that is out of balance.

The manager who guides instead of leading and furnishing inspiration for his enterprise is making the best of a temperament judicial rather than executive. He hires department heads who are full of ideas but perhaps lack the ability to separate the good from the bad business propositions. His men furnish many ideas and inspirations; he guides their ambitions, challenges the visionary enterprise and backs his workers in carrying out their plans.

At his best, he attracts to himself partners or subordinates who so round out one another's powers as to make for extraordinary efficiency.

The directorate of a great railroad is said invariably to follow this method in filling the president's chair. Periodically the effectiveness of the system in all departments is discussed. The most recent executive has come up through the engineering or operating or selling department and in line with his natural bias, has brought that function to extraordinary efficiency. Striking a

level throughout the corporation, another department far from his experience shows at low ebb. If an executive can be found with the qualities of a manager and with experience in this weak department, he is elected to the presidency, and the business is thus made continually to race with itself.

In a similar way, it is possible for you as a proprietor, as an executive expectant of advancement or as a member of a governing board, to test your perspective upon the men, the capital and the service under your control so that no possibility will be neglected.

A manager who, at twenty-nine, controls a half million dollar business of his own, hit upon the plan of telling the department head who broaches a suggestion: "You know I can't remember any of that. Better put it down on paper."

This is more than a way to minimize his detail work—it is a definite scheme of management in its first essential—to develop managerial ability among subordinates. Suggestions now come to him on paper, carefully worked out, with a plat of the location involved, and with the cost, upkeep, income, addresses and all details in order.

Every executive knows how difficult it is to get men to put cases before him briefly and yet so completely that he can make a clean-cut decision—so that he can manage rather than investigate and administer. This executive has learned to insist upon a statement that not only lengthens his own reach, but trains employees to recognize essentials and to push secondary control to the limits of their authority.

Further, he sends his department heads anywhere from Los Angeles to Boston upon hearing of any concern which is doing something better than his office has learned to do it. Every business has done some one

thing better than most others. This manager has learned to go prospecting by proxy and so get the gold of progress in many lines. His own ability is lifted upon the platform of all that his men learn, suggest and achieve.

MEN *can be checked on and developed by giving them responsibilities—money may be controlled by reports that summarize facts briefly and accurately.*

Seven out of the ten well known managers quoted have suggested the importance of developing initiative, mental power, enthusiasm and team spirit in the force. This is characteristic of the manager who realizes that neither detail nor policy can be realized except through subordinates. Scarcity of men—the time-worn excuse of overworked managers— often goes back to the chief's neglect of the men in his employ.

Detail gets power over business executives because (1) they can not separate the significant from the nonessential, or (2) they can not so organize as to get other than eye service.

"One of the hardest things for an executive to learn," a sage business man has said, "is that while his men are developing, he may expect nothing to be done exactly as he would do it. He must permit mistakes to 'go through' if his men are to see where they have blundered."

Another efficient manager has a creed something like this: "An office manager, a private secretary and an experienced lawyer checking over and summarizing the work of this concern prevent the making of any mistake so important as to endanger our business. For lesser mistakes I throw the responsibility on my men and, by my various reports, afterwards get at the blunders which

indicate dangerous tendencies and require that I train or correct my men." This system of reports brings out the relation of every employee to finances as regards sales, expenses and profit; to service, as regards all correspondence, but especially contracts and complaints; to new plans and opportunities, and to team spirit and office discipline.

What he calls his "mail analysis" will illustrate his method. His secretary goes through both the incoming and the outgoing mail every day and makes a four o'clock report to him somewhat as follows:

DAILY MAIL ANALYSIS

Incoming mail
- 80% routine
- 10 buyers make various complaints as to service rendered
- Three misdirected letters returned
- Terms offered on Harris contract
- H. F. sends $5,000 contract for signature.

On this report the chief checks any correspondence he wishes to see. Important outgoing mail is thus brought to his attention before being posted. Less important letters which are not tactfully written will result in complaints and thus be called up later, as "kicks" are among the points most carefully watched. In a few minutes he makes all important letters safe, and checks on the efficiency of every correspondent and stenographer. A monthly report arranged by quotas and actual totals tells him just how each department's expenses, sales and profits are running. Other details are similarly sifted.

Guessing at financial trends is one of the worst blunders a manager can make—and, strangely, one of the most frequent. One day the manager of the real estate department in an investment company went to a successful competitor in desperation and asked for his scheme

of accounting. The real estate department was one of three subdivisions of the business which, taken together, had shown a fair profit. "I'll wager," said the competitor, "that your department has not made a dollar in three years."

Analysis along the lines of sound cost keeping proved that in thirty-five months, with an investment of $1,500,000, the department had lost $200!

Money is never still. It is always either coming or going; growing or wasting away. Your desk of control is ill-equipped unless to it come daily, monthly and annual reports which tell you in itemized detail, with whatever quotas, comparisons and percentage parallels are most helpful, your cost of doing business, the relative parts in that cost which men, material and other factors play, your various lines listed in order of greatest per cent and total profit, your income, your turn-over, your investment, your depreciation, your quick assets and liabilities, your collections and reserves, your profit or loss.

Every business, moreover, has some factor which is as sensitive as a barometer in reflecting current conditions. You need to find and watch this essential constantly. Credits, collections, overhead, trend of buying, raw material prices, money rates, labor prices, drift of working or trading population, may be the point that requires special attention. Financial policy needs also to be determined as regards the confidence of the public and the banks in your integrity and as to good credit, expansion from profits and the avoidance of investments that make your business top-heavy.

"Some details are as important as the totals on the bank statement," is the viewpoint of one manager. The details he referred to are those which touch the firm's relations with its public. This executive from time to

time inspects his shipping room and returned goods department in order to get at the causes that lie behind complaints, misshipments and damaged goods. Another millionaire owner is known to have claimed in person rewards offered to customers who detect a blunder on the part of the salespeople in the arrangement of stock. A third proprietor makes a cross-section study of his business by getting down early Monday morning and going over the two days' mail in detail.

KEEP your eye on the distinctive service you are rendering to the public—watch the road ahead and plan for the greater future of your business.

Among the vital functions of management are these: to decide finally what the public demands; to know what is given them in goods and service; to bring future demand and supply into harmony; to focus into a policy the workmanlike care of the production chief, the credit man's distaste for risks; the collection manager's temptation to collect money at the sacrifice of friendship; the salesman's tendency to get orders regardless of final satisfaction. As subordinates come and go, your business can not keep on an even keel unless you balance all the different forces in action and hold to a steady course. Find out, therefore, why you are in business. What is your special right to expect trade? Why should prospects come to you rather than to your competitor? What classes do you expect to serve and how? Almost every enterprise has been built on a service idea—the Wanamaker one-price retail plan, the Butler one-price wholesale service by mail, the unit idea, the department store policy of convenience, the Marshall Field axiom that "the customer is always right."

If you get a definite basis for your business, it will

not be hard to organize your accounting, cost keeping, orders, complaints and testimonials, so that from day to day you will know whether your policy is still right and if you are still selling satisfaction.

Beyond the policies of your business, out of the analysis of past trade, looms the biggest job for the man at the manager's desk—watching the road ahead, charting progress. You have busied your employees with detail—make sure that you plan ahead. The big lines of policy and control which focus at your desk lead out from yesterday into the tomorrows, and only the man who has them in their proper perspective can plan for the future.

One manager keeps on his desk maps and plans which require years to work out—the raw material of future business. When he has tested them in all his moods and has worked out the capital backing, the customer demand and the proper employees for detail control, he sets itemized quotas for every man in his business; to which quotas in several years no employee has failed to measure up in total and item by item. He has gained his men's confidence by sound judgment and successful campaigning—has established himself in leadership by long hours of poring over policies, financial and labor conditions, credits, competition and opportunities of service.

Management is not only the hardest problem in business, but the problem that comes nearest to the secret of failure and success. Up at the top of every business—at the apex of its pyramid of functions—sits some one to whom all lines, wires and paths of communication lead; where focus problems, records and plans; from whom radiate the spirit, the policies and the initiatives which are to write in the future of the enterprise. No other desk is so hard to fill, because no other man must

be so well rounded and evenly poised.

No special knack or ability will make a manager without self-training and use of the abilities of others. List, group and analyze, therefore, the work that fills the calendar of successful managers—that goes on at your own desk. Reduce your detail to system and assign it to subordinates. Find out what fact, what tendency expressed in a dozen letters, conferences or sets of figures tells you something vital—get that point and delegate the rest. The subject matter of your day may be different as your business passes from the little shop through the transition stage where it is too big for intimate daily supervision and finally into a strong corporation. The witness of successful managers is, however, that at every stage they are outside of and bigger than their business—above it, and in control.

CAPTAINS *of industry must have capacity for detail, though they must not devote too much time to that. For while it is the intimate knowledge of details which will enable them wisely to decide the larger problems, yet if too much attention be given to detail the danger is that they will become so absorbed in the petty details that they cannot get far enough away from them to see the larger problems, which can only be seen by having the proper perspective. Executives must not try to do too much themselves; their power will lie in duplicating themselves by the selection of lieutenants to carry out their plans and, having made their selection, giving to them latitude to work into their particular problems their own personality.*

—James Logan

Chairman, Executive Board, United States Envelope Company

II

TAKING YOUR PROBLEMS TO PIECES

By John H. Hanan
President, Hanan and Son

ANALYSIS in business distinguishes the real business man from the speculator. To the keen, analytical mind in business there is scarcely such a thing as chance, for this reading of the future by analysis removes the elements of uncertainty in any enterprise.

In whatever undertaking a business man embarks he may either plunge, as the pure speculator does, or he may move deliberately, with a practical certainty of what awaits him. The tyro in business is ruled by impetuosity; the conservative and calculating man in business governs all his acts with an intelligent regard for cause and effect. Sometimes we hear it said that Smith, for instance, has a veritable second-sight, and that whatever he undertakes turns into gold as if by magic. If we study Smith, however, we will find that his magic is only logic—and knowledge of human nature.

The business speculator leaps in the dark; the real business man never. The speculator may, perhaps, alight on his feet, but there are nine chances in ten that he will come down flat. The man who makes business a science studies out his moves as if he were playing a game of chess. Business, after all, is nothing less than a science. It is a gamble to many men because they choose to make it so.

Why are so many big mistakes made in business? Because the average business is too haphazard.

Forty years ago I was impressed with the value of analysis in business, and that hour was the beginning of whatever success I have had. My father had a small shoe factory in New York, and sent me out on the road for him.

THOROUGH analysis of his first failure pointed out to John H. Hanan the "reason why" and indicated the way that led to his final success.

The first town I visited was Detroit. Equipped with my sample case, I set forth to conquer the city. I was full of enthusiasm. I knew we were making good shoes, and I did not see why there should be any difficulty in building up a trade in the West. I hadn't done any particular analyzing on the subject, but in a general way it looked good.

Business men often go into enterprises simply because they look good on the surface.

The first shoe merchant I visited in Detroit took some of the enthusiasm out of me. It is a vivid recollection of him that lingers in my memory.

"I have come to sell you a consignment of Hanan's shoes," I said to him, displaying my samples.

"Hanan?" he asked. "Who is Hanan?"

"The manufacturer of the best shoes on the market," I answered, taken aback.

"I have never heard of him," he retorted. "I am buying the XXXX brand of shoes, and I don't care to experiment with Hanan or any other unknown brand."

Now, the XXXX brand was inferior to my own, and I knew it very well; but since the dealer had never heard of Hanan's there was little hope of convincing him. I

went away without securing a sale.

The next call I made was a repetition of the first, and so it went, all day. When night came I was thoroughly discouraged. Nobody in Detroit had heard of Hanan, and nobody wanted Hanan's shoes. That evening I went to my room at the Russell House and sat down to *think.*

It was then that I did my first analyzing of a business proposition. Why was it that Hanan's shoes would not sell in Detroit? I knew that we had better values to offer than XXXX, against whose competition I had made no headway. I was confident that we were making better shoes than any of the manufacturers who had possession of the Detroit field, and yet the dealers had only laughed at me.

I went over the whole proposition of business success. Mentally, I opened an account with "The Future of Hanan's Shoes." I weighed all the elements that were to add to or subtract from that future. It was a sort of ledger account that I had in my mind—an account covering the future, instead of the past. There were many debits and credits, if I may call them such, comprising every argument I could work out.

I took up a pair of sample shoes and looked them over. I was proud of them, and I knew perfectly well that the trouble did not lie in the shoes themselves, nor did it lie in lack of people to buy them. The market was there in the West; the problem was to get into that market and stay in it. When I struck a mental balance in my account with the future there was one thing that stood out prominently. It was the value of a reputation. Analysis had reduced conditions to one factor: that business success comes from having a reputation.

This may seem a simple proposition to reason out,

yet there are a lot of business establishments that haven't done this bit of analysis.

However, I carried my analysis of the future further than this. Having decided that what my shoes needed was a reputation, I formulated a policy that very hour from which I never have allowed myself to depart to this day. Up to that time our goods had borne no brand. There was nothing on them to indicate that they were Hanan's. I now resolved that every pair of shoes that left our factory should be branded with our name—not only once, but several times, and on various parts of the shoe. They should be marked indelibly.

I don't know of anything in my business life that has been of more value to me than the analytical study I made that night of the future of Hanan's shoes, and the fixed policy that followed it. It was an analysis based on human nature, and its logic has been demonstrated countless times. On numerous occasions I have had to fight against influences tending to cause a deviation from this policy, but I have resisted them steadfastly. For example, I was once offered an order for a sum that may seem fabulous, one hundred thousand dollars, if I would leave the Hanan brand off my goods and permit the use of certain dealers' names instead. These offers only proved the truth of my reasoning. If the brand was worth a hundred thousand dollars an order to others, it was worth more than that to me.

When I received these generous propositions I had occasion to look back with satisfaction to that night in Detroit, when I analyzed the future and put a correct estimate on the worth of our name stamped in our shoes.

Whatever a man's business and whatever the proposition that confronts him, he can get right down to the fundamentals of the thing if he chooses, eliminating

to a large degree the element of guess that makes some undertakings so uncertain. Many businesses have vacillating policies. This is merely an indication that analysis of the future is lacking.

> PROJECT *the analysis of your problems into the future —study men and methods, and open a ledger account with the tomorrow of your business.*

A business may be conducted systematically so far as concluded transactions are concerned, and yet may be entirely unsystematic when it comes to transactions contemplated. It is well to discriminate carefully in this connection.

Are you in the habit of applying the same degree of analysis to the undertakings you are planning as you do to the undertakings that have gone into history and been recorded in your ledgers? Perhaps you never thought of the matter in this light. You have studied bookkeeping systems and modern ideas for keeping and tabulating business information concerning your daily acts, but it may be that you never opened an account with the future. It is more difficult to analyze the future than the past, but in some respects it is even more essential.

You can take your ledgers and from them tabulate the facts and figures that went to make your success or failure. You can group these statistics, arrange them in brackets, and reduce them to analysis of the minutest detail. If you study all the ramifications of this detail and trace each result back, logically, to its cause, you will learn whence came your success or lack of success. You will find, too, that in all your processes of analysis every result was built practically on some attribute of human nature—either in yourself, in the people who

bought your goods, or in your competitors. While you have been analyzing your business you have been analyzing humanity.

Reverse the process. Project the analysis into the future, and see if you can dissect the causes that are to produce results for you during the coming year. Relentlessly cut out prejudice and your own desires and inclinations. Keep your analysis down to the bed-rock of human nature. *Don't soar above the heads of humanity. Of course, you may have elements to consider that* did not enter into your analysis of completed undertakings, but to all intents you will have to take into account the same immutable laws of mankind.

Open a mental ledger account with the future, or, if you prefer, tabulate your analysis on paper. Enterprises reduced to cold facts and figures, and transcribed in black and white, often appear different from enterprises pictured to you in the glowing words of a promoter. The imagination governs many an undertaking, which, if reasoned out in the remorseless logic of mathematics, would resolve itself into its true components. In your completed transactions it is your bookkeeping that searches out for you the mistakes and hidden leaks. So, too, the detail of your analysis of the future will indicate to you the points where impulsiveness and reason diverge.

Analysis of men will write the fate of their businesses as plainly as if shown by prophecy. Yet those men themselves will fail to see it. They never have cultivated the quality of analysis; they cannot analyze even themselves. To learn to dissect one's self is the first duty of every business man. He can hardly expect to read others until he knows himself.

In an advertising proposition the value of this ele-

ment of analysis is often seen to good advantage. I have been confronted with it many times. When a business man goes into an advertising campaign of big proportions he is simply analyzing the future and staking his money on the accuracy of his dissection of human kind. He casts up his knowledge of the market and his conclusions concerning human nature, and invests his money on the result. "Clever advertising," we hear it *called sometimes. It is effective simply because it is advertising based on the fundamental laws of life. Apply the same rules to all departments of a business and you will get results equally as good.*

There may be instances in which successful advertising campaigns have been managed in the way a grain speculator buys wheat, but I do not recall any. The successful advertising man is analytical to the extreme, projecting every result from a definite cause. For every proposition he has a corollary; every part of the plan must have its demonstrations.

It is the habit of analysis in small things that enables a business man to move confidently and firmly in large affairs. I remember that quite a number of years ago, when I announced my purpose of establishing retail shoe stores from which I could sell my product direct from factory to consumer, most of my business acquaintances predicted my speedy downfall. On every side I heard the prophecy, "John Hanan is committing business suicide. He may know how to make shoes, but he doesn't know how to retail them. Why hasn't he sense enough to let well enough alone?"

At that time it was an unheard-of thing for a shoe manufacturer to sell to the consumer. My acquaintances believed I was plunging into a great speculation, with the chances all against me. But a new enterprise

is not necessarily a gamble because it is new. *If it follows the logical lines of human nature and will bear this test of discriminating analysis, it is just as legitimate a business undertaking as if it belonged to a type* a hundred years old. There was no speculation about this enterprise. I had satisfied myself of the logic of it by analyzing its possibilities into all their component fractions. The results justified the expenditure.

Advice is something that business men get freely, but the only sort of advice they should heed is that which can be analyzed into real logic. If men advise you to do this or not to do that, apply the scalpel to their warnings. If you find any real value in what they have to offer, incorporate it in your own analysis. The original and independent business man is the one who makes his own analysis true to nature, and goes ahead.

A MAN *may be thoroughly upright, of the highest personal character, and have had years of experience in the very best lines of the undertaking which he represents; yet if he has not the ability to discern those hidden influences which will operate for the success or failure of his project, he is not a safe man as an associate.*

—Frederic W. Upham

President, Consumers Company.

III

HOW THE EXECUTIVE KEEPS IN TOUCH

By Kendall Banning

COMPARE the picture of the head of a big business concern, on duty at his executive desk, to that of an engineer, on duty at his engine, surrounded by appliances that not only regulate the machinery but keep him in constant touch with every part of the work which the machine is doing. Compare the call buttons on the executive's desk, his various telephones, his graphic record and organization charts, his daily-duty card cabinets and more particularly his daily, weekly and monthly report folders on finance, labor and production, to the power and fuel indicators, speedometers, gauges and controllers of the engineer; and we get a picture of the real functions of a business executive.

The simile may be carried out into many picturesque details, up to this one all-important point of comparison—that while the engineer can merely attain the uniform mechanical efficiency of that machine on a fixed schedule, the business executive has unlimited scope in the selection and construction of his engine of business, unlimited choice of routes and speeds and unlimited range of action and selection of goals toward which he may drive—goals that are limited in their importance only by the capacities for organization of the guiding force.

The business executive, like the engineer, must at all times have control. The moment either loses his grasp, his machine is beyond management. It is the business of both to see to it that their machines are operating steadily, that the various parts are keeping up their work in harmony with the others, that the wastes are eliminated, that supplies are available, that the tracks are clear. If either fails to note the signals he will drive his engine into danger just as surely as he will lose control to the man who sees the signals the other has missed and springs forward to take command. Opportunities and dangers come to the incapable executive when he is unaware. They are anticipated by the executive whose systems of control are so fine as to let him feel every throb of his organization, every beat of his engine of business, and allow him to guide it and regulate it and know it as an engineer knows his machine.

WHAT *the executive needs to know—methods adopted by the managers of two great concerns to get this information speedily but with absolute accuracy.*

An executive's systems for keeping in intimate touch with his business naturally vary in scope and complexity with the size and purpose of his organization. They range from his casual morning chat with his partner or manager, or sole employee, to detailed written reports and charts made out at daily and sometimes hourly intervals to show the specific progress in dollars or units of production of each machine of each factory department. They cover every item of information, from the amount of money in the cash drawer to the percentage of costs of pin bolts in one of the shops to their costs in years past, with the reasons for the difference. They come in forms that vary from the shout across the office

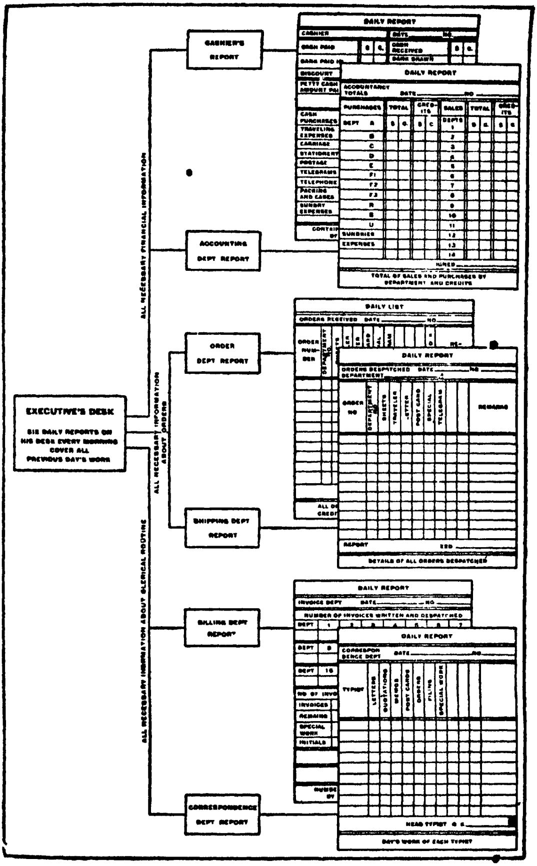


FIGURE II: Summaries of the day's financial and clerical work, sales made and orders shipped—these are the things the executive needs in brief shape, and the six simple forms here shown quickly supply him with that information

to elaborate charts in colors that show in graphic form the increase and decrease of a subdivision in specific detail. The simplest form is sometimes the best. Reports that are too complicated are as inimical to real system as reports that are careless and incomplete. The best channels of information are those that present the most vital facts in the most direct form, that eliminate the extraneous detail and attain their purpose in the most economical manner, on precisely the same principle that a straight line is the shortest distance between two points. The fewer these points are in number the simpler the work of the executive naturally becomes, but the number must not be reduced to the elimination of facts that affect his efficiency.

Specifically, what are these facts?

For purposes of illustration, the main channels of incoming information may be classified thus:

1. Finance
2. Correspondence
3. Sales
4. Mechanical Equipment
5. Labor

REPORTS *that keep the manager of the large business in close touch with the day-to-day and month-to-month efficiency of his sales and operating departments.*

The fundamental information that is of prime importance to the smallest as well as to the largest concern is the amount of cash on hand. The little shopkeeper ascertains this information by a glance at the contents of the till. The larger executive gets it by balancing his bank book. The general manager finds the information on a slip of paper handed to him by his cashier or bookkeeper. The head of a big corporation gets it on a

report form made out every night to show the exact balance in every bank in which the corporation has an account, bills receivable, bills payable, securities owned

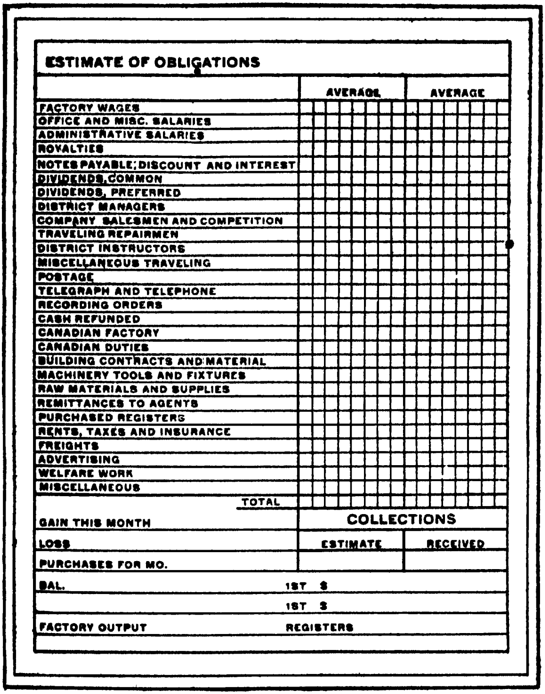
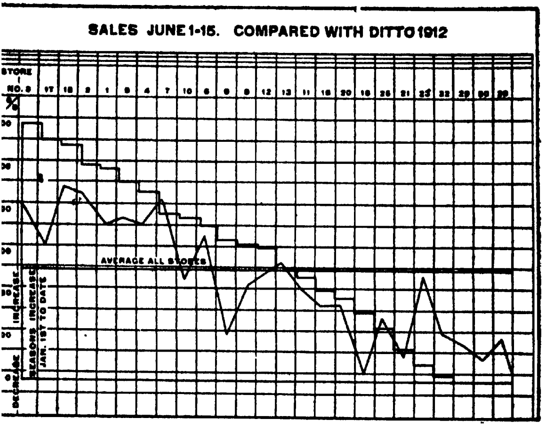

ESTIMATE OF OBLIGATIONS
AVERAGE
AVERAGE
FACTORY WAGES
OFFICE AND MISC. SALARIES
ADMINISTRATIVE SALARIES
ROYALTIES
NOTES PAYABLE; DISCOUNT AND INTEREST
DIVIDENDS, COMMON
DIVIDENDS, PREFERRED
DISTRICT MANAGERS
COMPANY SALESMEN AND COMPETITION
TRAVELING REPAIRMEN
DISTRICT INSTRUCTORS
MISCELLANEOUS TRAVELING
POSTAGE
TELEGRAPH AND TELEPHONE
RECORDING ORDERS
CASH REFUNDED
CANADIAN FACTORY
CANADIAN DUTIES
BUILDING CONTRACTS AND MATERIAL
MACHINERY TOOLS AND FIXTURES
RAW MATERIALS AND SUPPLIES
REMITTANCES TO AGENTS
PURCHASED REGISTERS
RENTS, TAXES AND INSURANCE
FREIGHTS
ADVERTISING
WELFARE WORK
MISCELLANEOUS
TOTAL
GAIN THIS MONTH
COLLECTIONS
LOSS
ESTIMATE
RECEIVED
PURCHASES FOR MO.
BAL.
1ST $
1ST $
FACTORY OUTPUT
REGISTERS

FIGURE III: This is a multiple blackboard ruled to show the financial condition of the firm by months and the status of each department. It may be concealed from view by a door, and locked

and their prices for the day, and other financial data, which is laid upon his desk every morning by the head of his financial department. This information is vital

to the humblest as well as to the greatest executive. It allows both to plan their business days so that their obligations may be met and their credit maintained.

Next in importance is the daily mail. The mail contains inquiries, orders, money, complaints, reports—



IGURE IV: This chart helps L. C. Bliss, President of the Regal Shoe ompany, watch his business. The "stair steps" indicate the sales inrease in each store, and its relation to the average increase from all stores

natters on which the work of the organization rests, the uel with which the engine is run. If the mail is small, he executive opens it and attends to the contents himelf, or marks each letter for reference to individuals or lepartments. If the mail is heavy and the firm is large he mail goes to the mail clerk or to the correspondence lepartment for similar distribution and a report is made o the executive head. "This correspondence—the incomng and the outgoing mail—is the pulse of the firm's rogress with the outside world. The closer an execu-

tive is in touch with this pulse, the quicker he can detect fluctuations and direct accordingly.

Orders and sales are the easiest items for an executive to record. Mr. Bliss of the Regal Shoe Company gets his record in chart form.

For example, one chart (Figure IV) shows the semimonthly records of sales. It is divided into latitudinal sections to represent the numbered stores in the Regal chain. This method of division can just as well be used for the departments in a single store. The figures in the left column measure the increase or decrease in the sales of any one of the stores. The store which shows the

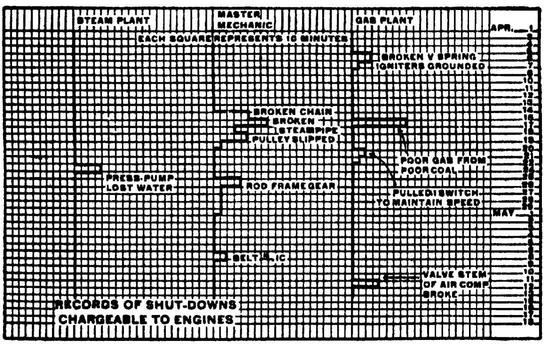


FIGURE V: A typical graph by which a manufacturer checks over engine room troubles. The three black lines represent the steam plant, the factory equipment and the gas engines; the squares stand for intervals of time. As soon as there is a shut down for repairs, the line is broken and an explanation written alongside

greatest sales appears at the left, the store with the smallest sales at the right. The result is a line broken into "steps" representing the relative position of the stores' sales. The season's increase is also given and

the average for all of the stores.

A more personal system of keeping an executive informed of the work of his departments is used by John H. Patterson, the head of the National Cash Register Company. This executive practically makes the department come to him and explain in the person of its head what it is doing. For this purpose, each department is equipped with a folding blackboard containing one or two dozen leaves. Each leaf or page is numbered and reserved for information concerning the various duties of that department. Its output, its expenses, its changes in personnel, its suggestions for improvements, and its accomplishments and obligations are written thereon daily. A glance through the leaves shows the status of work. These blackboards are attached to the walls of the departments. At the command of the executive they are transferred to the wall of the president's office, and inspected and dissected by him with the assistance of the department head.

The statistics of each department are, of course, recorded in regular form; the blackboard scheme, however, enables the executive to get at once from the head of each subdivision, a direct and intimate review of present conditions and plans for the future that do not appear in the company's records.

The systems for keeping the executive in touch with the mechanical equipment of his plant, especially in a manufacturing organization, so closely resemble the mechanical appliances that keep an engineer informed of the workings of his engine as to amount practically to the same thing. The self-registering charts attached to the latter are permanent fixtures; in the case of the executive they are sent to his office. From them he learns of the power being used, the amount of fuel con-

sumed, the productive power per unit of fuel, the productive power of each machine and of each employee. A striking example of such an indicator-chart is shown in Figure V. It enables an executive in a large manufacturing concern to check engine room troubles by glancing at three lines. These lines run over squares each representing ten minutes, horizontally, and a day, vertically. When everything is running smoothly, an office assistant draws in an unbroken line. But as soon as any of the machinery gets out of order, the line breaks and goes off at a right angle until the repairs are completed. An explanation of the delay is written over every break in the line—the executive can check and correct negligence or incompetence at once.

Keeping in touch with labor is one of the most difficult tasks of the executive. The mechanical record of labor—the number of employees, the pay roll, their distribution among departments—these are simple items to tabulate. But human toil cannot be adequately expressed by typewritten numbers. The results of it may often be written in definite figures that record the sales or the products of a plant, but more often a falling off or increase in business cannot be specifically credited to this one factor. Hence labor is handled not so much by the mechanical and impersonal routine of card records and report sheets, but rather by the less formal and more human element of personal contact.

One way of getting this acquaintance is through committee meetings. Another medium for personal contact is the executive's private office. Many a threatened disturbance has been calmed in the quiet seclusion of the president's office while chatting as man to man over a cigar, and many an idea has been planted that has

borne golden fruit that, but for personal contact, would have been unsown.

The charts and diagrams and report sheets and indices that make up the mechanical routine of communication between the business executive and his organization compare with the recording devices that furnish figures to the engineer about his engine. But both business executive and engineer must know how to act upon them, must know the machine's condition, its possibilities, its resources. It is to give this intimate personal acquaintance that these nerve-like systems of communication are devised—systems that vary in size and scope with the size and scope of the business machine—and of the engineer.

IN THIS *day of great industries, a thorough knowledge of the smallest details of a business could not be secured in the old ways of knowing simply through the process of doing. There are too many details. The business man today must have facilities by which knowledge of details will come to him automatically.*

—Edwin A. Potter

President, American Trust and Savings Bank

PART II—MANAGING MEN, MONEY AND DETAIL

Work and Wages

THE money value of an employee to a business is determined by two factors: first, his market value (fluctuating according to labor supply and demand); second, his proportion in the cost of doing business.

You must pay him his market value or you cannot keep him.

After the cost of material and manufacture, it is estimated that the cost of doing business varies from twelve and a half to twenty-five per cent. If a wage earner fits into this cost he has a money value to the firm. If his proportion of the entire cost of doing business is too high, he is an expense. The individual's money value is easily determined by his proportional output or by what others pay for equal skill.

The pay roll is usually an index to efficiency. Pay a man what he is worth, and he will work for his wages; give him more, and he will work for you. As a rule, an employee is as valuable to the business as the business is to him.

CLARENCE S. FUNK

President and General Manager, M. Rumely Company
Formerly General Manager, International Harvester Company

IV

TRAINING MEN FOR LEADERSHIP

By Frederick A. Delano
Receiver and Former President, Wabash Railroad

IN EVERY line of work, there is what may be termed the jealousy of craft. A man says to himself: "Why should I teach Smith how to do my work? I have spent a lifetime in learning the business, and now if I take Smith as an understudy, he will crowd me out of my job in a few months." He neglects to see that his value will be judged not by his own unaided work but by that of the staff over which he presides.

Railroad managers realize, I believe, perhaps to a greater extent than executives in any other line of business, the importance of developing the inner phases of an organization. As a matter of fact, the argument of the one-man executive is fallacious. If he really be a competent man, his own advancement is hastened by having material under him trained to assume his duties.

I am inclined to think, too, that the progressive railroad company of today has an organization better equipped, more self-sustaining and self-perpetuating, than the average business house. It has available more human material, trained as understudies to numerous executive offices, than the average merchant or manufacturer.

In years past, this was not the case, but the day of the one-man, one-executive railroad is gone. While there

may be many instances in which railroads have not followed the trend in this respect, there is certainly a marked tendency to build organizations of many individual forces, instead of a few. The president does not consider himself the railroad, as he once did; no general executive holds his place by virtue of being the only man in the organization who knows how to handle the work. There have been broadening influences among the railroads that have led to the new policy of producing men competent to direct in any emergency, rather than searching outside the organization to secure them.

Some railroads of this country have become very notable for the men produced; some have not progressed so far; a few remain narrow. But it is becoming increasingly rare for a railroad to go outside of its own organization for material.

> ONCE *the manager feared to lose his position if he familiarized another with his duties—today leaders recognize the need of training understudies.*

To the general public, the operating department of a railroad is the railroad itself. It is the spectacular thing that the public sees, and that is, indeed, a department where the understudy is imperative. Life-and-death necessities make indispensable some system of recruiting and training competent men who will be available in any emergency.

The nature of the business tends to make the operating department automatic in its organization, and it is this that causes a railroad to move along smoothly no matter who quits or dies suddenly. There can be no shutting down, no delay in sending out trains, no waiting a day or two until somebody can be hired from outside. A railroad never stops.

If it is a good thing for the operating department to develop its own material, it is equally good for the traffic department and the audit department; indeed, for any department where smoothness, economy, or progressive development is desired.

Most of the great railroads do apply this system of organization to all departments. The understudy plan, or whatever you choose to call it, really means a broadening out of the organization. Railroad men have been broadening themselves, and gaining a better idea of business principles and the advantages of a many-man business. The growth of the railroads has made imperative the better-training of the various units of the organization.

The complexities of the traffic department have become so great that they require the highest degree of familiarity. Where once a railroad found a small pamphlet sufficient to contain its tariffs, today volumes as big as a city directory are needed. And so this system of understudies has spread from the operating department to all other departments of the railroad.

There are two ways of filling an executive's position. The executive may assume all the functions, knowledge and wisdom himself, distributing none of the responsibility and developing none of the capacity of the staff about him. Or, on the other hand, he may act simply as a leader to inspire, enthuse, encourage—having constantly in mind the development of the capacities of the men under him. The theory of this method is that the intelligent effort of a group of men working in harmony and on an intelligent system, is sure to accomplish more than the brains of one man unaided possibly can.

I recall, as a case in point, a little advice that was offered an official of the Burlington when I was with

that railroad. He had been advanced rather fast along a somewhat unusual line of promotion—first from the shops to the telegraph department, and then to the superintendency of an important division. When he assumed the latter office an official of long experience said to him:

"You've got a new machine, but it's running all right. Don't stop it until you know how to start it again."

YOUNG men are taken into the organization of the railroad and trained gradually to assume the duties and responsibilities of higher positions.

A railroad or a well-organized business may run along almost indefinitely of its own momentum. A new executive, unfamiliar with the machinery, comes along and imagines that his duty is to stop the machine, upset the organization, create reforms on the instant, and then start the thing again with a new and untried load. Here the advantage of the understudy comes in. He has grown gradually into his position; he knows all the facts and influences governing his work. He is cautious, yet sure of the real needs of the position. Even in the law department of a railroad this rule of understudies is general. Most general counsels are now developed in this way, rather than by the old plan of going outside for lawyers with brilliant records, perhaps, but without railroad training. The advantage of this may be imagined when one reflects that the general counsel of a railroad corporation is the head, not merely of one law office, but of perhaps a hundred, in states having varying statutes. The lawyer, however able, called upon suddenly to assume charge of complicated legal affairs in a widely scattered territory, must do so to a great

disadvantage to himself and the company.

The business of recruiting and training understudies, then, is one of the most important undertaken by a railroad executive—and one to which the higher official must give increasing attention. In a well-organized railroad, these higher officials, in addition to lending their moral support to the policy, are often actively on the lookout for capable understudies. They are always on the watch for ability, and eager to foster it for the benefit of the organization.

For illustration, take the train-dispatching department. In such an important branch of a railroad's operation, it must be somebody's unfailing duty to provide a supply of competent men who will be available instantly when called upon. As a rule this falls upon the shoulders of the division superintendent and his chief lieutenants, the train master and chief dispatcher.

These men are continually on the watch for young operators who show themselves to be quick, alert, clear-headed. When recruits are found they are perhaps working on remote and unimportant branches. They are advanced to divisions of more consequence and responsibility, and in due time become dispatchers on branches, or assistant dispatchers in the main offices. Duties grow upon them as understudies, and when something happens to thrust one of them into full charge, he assumes the task naturally and easily. It is the delegating of responsibility to men by degrees that makes them familiar with it and develops the ability to handle work intelligently.

A superintendent may be developed from various sources. Some railroads consider of chief importance the ability to move trains, and on roads where this idea prevails, the superintendent's understudy advances from

a train conductor, a train master, or a chief dispatcher. Other railroads look more for men who show maintenance ability, and here the line of advancement is from a roadmaster or a superintendent of tracks. Still other railroads are more general in their requirements and prefer that the superintendent shall be a good business man capable of dealing with the public and meeting all questions broadly and intelligently.

This is merely illustrative of methods which I believe ought to prevail in all lines of industry, and which do prevail to a very large extent in railroading. Railroad men of today are broad-minded and ready to take up the most advanced policies and systems by which their branch of activity can be furthered. The more men you are called on to meet, and the greater the variety of conditions you encounter, the broader will be your handling of the problems of a many-sided organization.

Railroad men do mingle with many people and many classes. The ramifications of the railroads are so extensive that those who conduct them can scarcely be provincials in methods or views. To this fact more than any other do I attribute the advanced characteristics of railroad men.

MEN *learn only by the mistakes they make. An employer should expect and should encourage his men to take the initiative and make mistakes. Only in this way can they gain experience. This method of handling employees may be expensive in its early stages, but it is the only proper schooling for a position.*

—Richard W. Sears

Founder Sears Roebuck and Company

V

THE MONEY END OF MANAGEMENT

By George H. Cushing

"WE MUST have money. Business we ought to control is getting away from us because we haven't salesmen enough to cover our territories closely. Or capital enough, for that matter, to extend the credit new customers would demand or to pay for the extra goods we would have to carry in stock. Both ways from the center, we encounter a need for more money. We go ahead if we get it; we stand still if we don't."

Satisfied with this summing up of the firm's position, the selling partner waited for his answer. It was his daily regret that orders were going elsewhere when they could so easily be added to his own sales sheet. He had begun to feel his power as a merchant, as a buyer and seller of wholesale groceries, and he chafed at his partner's inability or disinclination to finance his energy.

"Yes, we need more money," that partner agreed. "I can borrow from the banks all you can use, but I'm not sure yet how much we should borrow. We want to boss that borrowed capital, not allow it to run this business.

"When a manufacturer sells to us on credit, he is gambling on our honesty because much of what we buy is consumed before the bill is due. When we sell to the retailer, we do the same thing. If a bank should lend

us money before we have worked out a sound financial program and shaped our sales and credit policies to fit it, that also would be speculation—speculation in the honesty and ability of two men; the difference between good credit and bad."

> ENTER *the bank slowly and come out quickly—this is the thought that has built a sound financial policy for one wholesale grocery concern.*

The inside financing of this business—buying, credits, and collections especially—had not yet been standardized in the "eighties," when this conference took place. Neither of the partners was willing to take a banker's judgment of what was safe procedure for a merchandising house.

Part of their stock, they knew, would prove "stickers"; some of their customers' accounts would never be paid in full. If they were listed as assets, the margin of security might disappear in time of stress and destroy the business. What both partners sought to find was a sure financial foundation which should serve two purposes:

First, make their own advance safe and profitable.

Second, provide absolute security for the funds intrusted to them by others.

The partner in charge of the money end was struggling to arrive at a working basis for the firm's financing.

"Certain of our accounts are as good as cash on the day they fall due," he suggested. "I figure them as eighty per cent of the total on our books. Of our stock, I figure that at least seventy per cent could be closed out in a hurry at the inventory price. Together, these two items make up the quick assets on which we can

depend. Add salvage on the rest of our stock and accounts, subtract what we owe, and the remainder gives you the basis on which we can safely borrow. If that doesn't give us the money we need now for credit expansion, we must change our credit policies. In fact, these percentages show that we ought to buy more carefully and be more cautious in extending credit."

The sales manager protested. "You can't take the risk out of a business and expect it to grow," he declared. "Why not borrow as much as the banks will give us on an honest statement, and go after this business that we're losing now? At best we are only borrowing until those who owe us have paid up."

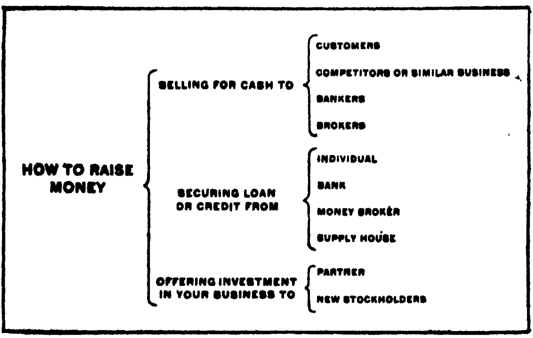


FIGURE VI: This chart shows methods of raising funds. The first method requires the sale of merchandise or special holdings. Loans and credit may be based on tangible assets, or simply on your personal notes

"That's the point. We borrow until our debtors pay. To pay our loans we must be sure others will pay what they owe us when their accounts fall due."

As I sat, waiting, in the private office of the man who shaped this policy, and watched his swift, decisive han-

dling of crowding details, always twisting rebellious items back into sane channels, it was plain that what had once been an ideal had become a business habit.

The danger of optimism was his first test when he swung away from his desk and began to lay down the inflexible law upon which his business had been built. He went back to the turning point in the firm's career, when the vote went against swift expansion based on easy credit.

"We knew two things about money," he declared. "We knew that hard-headed men will sometimes put money into unsound ventures. We knew, also, that nothing makes a trader so careless as to get capital easily. To keep ourselves in check, therefore, we deliberately adopted the theory that money is the hardest of all things to get. We extended credit—loaned our investment in goods to buyers on the same basis."

How the adoption of this policy changed the plans of the young concern, he told in a few sentences filled with the philosophy of a successful business:

"My partner was astounded to learn that fully twenty per cent of our accounts were not 'gilt edged.' He began immediately to use greater discrimination in making credits. We failed, of course, to secure a lot of business which we might have had; we did not set fire to the commercial world with our speed, but we did get real money for our goods—and had real money to pay our debts. We played safe.

"This influenced our relations with the banks; we went in slowly and came out quickly. We borrowed a little at first and paid it back quickly. As business grew and as our balance increased, we borrowed more. But no loan was ever asked until the banks knew that we knew where we could get the money if the loan was

called. Today we could borrow a quarter of a million as easily as we secured ten thousand dollars twenty-five years ago. Yet we have never sold a piece of paper."

HOW *a furniture house and a retail coal concern have developed sound financial policies—difficulties they found in the way of success.*

This is the old-fashioned conception of safe financing for a mercantile house—a self-contained business, rooted broad and strong on a policy which puts no trust in luck and forestalled chance, fed with the profits it has made and to which it has, in the minds of its owners, the first claim. Compared with the Aladdin structures reared in recent years from "opportunity, plus a shoe string," this staid old house, despite its millions, lacks imaginative appeal. To the men who built it, however, for their sons' grandsons, their plan of financing was the only absolutely safe one. Summed up, it stands: a merchant has nothing but goods and accounts; he should have enough capital to carry these until they can be disposed of with profit.

To hold expansion within safe bounds and find the money for vital growth are major, and related, problems in any thriving store. To match our wholesale grocer's conception of safe financing against the experience of other merchants, I went to a furniture man, with a business history quite as long and as profitable. He, too, could speak in the accents of authority and recognized success.

"We use our surplus money to test the demand for promising articles outside the staple lines," he said. "Handling our money in this way, the financing of growth and expansion is attended with little risk, particularly if you adopt the companion method of letting

every regular department start slowly and develop only as your customers force the development."

There are seven rules of store finance, this furniture man declares. He enumerates them as follows:

"Begin with enough capital to carry you until you have turned your goods three times. Then you will not need any more unless your mistakes in judgment prove costly.

"Never take money out of your business to invest in other lines. If you know enough about other lines to invest in them you have been neglecting your own business. If you don't know all about the other business, you are speculating and robbing your own business.

"Never take money out of your business to indulge a taste for a luxury until you are sure the business does not need it.

"Never crowd a customer unduly. If, after investigation, you extend credit to him, you can't afford because of temporary necessities to make him feel that you regret your decision to trust him.

"Never ask a house whose goods keep you in business to wait for its money. It may extend the accommodation—it probably will—but in the end you'll pay much more than interest on the money involved in the transaction.

"If you need cash, temporarily, go to the bank. A good standing at the bank is a convenience in fair weather and a safeguard in time of trouble.

"Build up your departments one at a time by using idle money. If you expand on your earnings you grow. If you start new departments on borrowed money or new capital you are conducting several businesses under one name and multiplying the chances of failure."

Radically different, in its money needs, from either of these merchandising types is the business of selling coal

at wholesale. Here the assets consist solely of accounts receivable, for the reason that there is never any large amount of stock which can be inventoried. The wholesale coal man deals in a commodity which usually does not leave the cars while in his possession.

Another difficulty in its financing is that the business is highly speculative, for the reason that the supply of coal land is practically unlimited. This means unrestricted competition and prices hinging on fluctuating influences. For years the producer with the necessary minimum of mine equipment could compete with the best equipped concern. Until recently almost the only consideration in buying coal has been the price. This price fluctuated violently with the demand; and demand fluctuated violently with weather changes.

To buy soft coal at wholesale and sell it at a profit of one dollar or more a ton is a common occurrence; to buy and sell at a loss of one dollar or more a ton is also very common. For these reasons it is hard to figure out a safe basis for financing the actual transfer of coal from producer to consumer.

Add to these disadvantages the fact that credits and collections are usually handled with less regard for system and regularity than in other trades, and the problem of financing a jobbing business, with limited capital, becomes acute. How one young firm of wholesalers worked out a successful plan of financing such a volatile business was described by the managing partner as follows:

"In the coal trade troubles focus on the slowness of collections. Statements are rendered regularly, but the buyer usually takes his time. When we started, however, our capital was small and anything but prompt receipt of money for coal shipped would bring failure.

We adopted the policy, therefore, of collecting when our bills fell due—either in cash or by a settlement note. The notes give us a basis of bank credit, where an open account would not.

"In negotiating our own loans, we first used indorsed paper. Part of our first surplus we invested in good interest-bearing securities for use as collateral. After that we borrowed a little more without security, while that collateral was still in the bank. We built up our credit, moving slowly and looking at each loan always with the eyes of the banker rather than with our own. We never discounted a piece of paper without asking first: 'What is behind this note?' If it passed scrutiny we discounted it. If it was doubtful we carried it ourselves."

Here the day-to-day financing of the business hinged on the transformation of past-due accounts into ready money by the discounting of the customers' notes—a method which wholesalers in mercantile lines are loath to employ, since it introduces into the customer equation an outside element, which may turn hostile and disturb delicately balanced relations. The effect on tomorrow's sales as well as on the more remote future of the business is an item which must appear in the summing up of the advantages and the weaknesses of any financial policy.

I SO *systematize my work that the weak spot is quickly evident. This leaves me the strength that some men put into a losing fight and expend on the defensive, to devote to the initiative.*

—Edward D. Easton

President, Columbia Phonograph Company

VI

SHORT CUTS IN EXECUTIVE WORK

By George H. Cushing, and Wesley A. Stanger,
Manager, Royal Typewriter Company, Chicago Branch

WHILE exchanging the greetings usual at a directors' meeting not long ago, one man noted the tanned cheeks and the athletic wholesomeness of the man at his side.

"I play golf every afternoon," was the explanation.

"Play golf! How do you find time?"

"I have a system," replied the athlete.

"I have a system, too," said the other. "Yet when I play golf I always feel as though the time were stolen from work."

"That's just how I felt about it before I devised a system that includes my own work as well as the work of my organization," replied the out-of-door man.

Both these men control efficient organizations. One, however, has so organized his personal work that he finds time for recreation—a factor that plays no small part in maintaining his efficiency. The other labors from eight to twelve hours each day, because he has not created an organization or system of work for the conduct of his personal duties at the office.

To be sure, he has crowded an increasing quantity of work into a given amount of time, but he has not, at the same time, conserved his energy as has the executive who cuts out all wasteful details and gives his personal

efforts the advantage of many time and labor-saving systems and devices. The latter occasionally unwraps himself from the intricacies of his organization and makes a scientific investigation of his own work as such, solely to find out ways and means of conserving his personal time and energy for concentration on important matters. Such occasional prospects of his personal work also give him a chance to judge actual values and pick out the "most important matters" for personal attention.

HOW *the successful executive builds an organization that cares for routine details and saves the valuable minutes of his business day.*

But whether an executive works four or sixteen hours a day to perform his duties, he must first build up an efficient organization to carry on the details of his business. No head of a business or of a department can afford to have outside recreation until he has organized a capable force of assistants who, if necessary, can carry on his business satisfactorily in his absence. The building of such an organization is the executive's first problem. How he solves it is a fair measure of his executive ability. And the solution of this problem is inseparably associated with the manner in which an executive's *own* time is employed. When such an organization is once whipped into shape, the executive's work narrows down to ways and means of putting final touches on the routine of his personal responsibilities.

In general, there are six chief sources of lost time in an executive's work. These may be separated into those that come from outside the business and those that originate inside of the office. Mail, visitors and telephone calls comprise the first class; "inside" causes include

reports, meetings and inspections.

Few executives are so happily situated that they can make rules regarding hours for callers and enforce them. The man who would be satisfied with a letter dictated and signed by an assistant usually resents the refusal of an executive to see him personally.

A few executives pride themselves on their democracy, on the fact that "any man at any time can come right up to my desk," as one employer of thousands put it; they surrender their time on demand to any one who presents himself. Then, necessarily, these executives resort to all sorts of expedients to shorten or terminate a large number of petty interviews. Most executives find it easier to keep callers out than to get them to go.

The president of a manufacturing company brought into his office a courteous and diplomatic young lawyer and gave him first the title of "assistant to the president," and later, "vice-president." This young man was present at every interview during the first year. Thereafter the "vice-president," who held one share of stock, received the callers and usually succeeded in eliminating all save the actual few whom it was unquestionably to his chief's interest to see.

Such a "shock absorber" system depends for its success, of course, upon the personality of the subordinate.

But unless an executive is sure that he has a capable man guarding the door to his sanctum, a man who can select those to be "turned down," it is usually unsafe to refuse to see any callers; often a good slice of profitable business results from courteous treatment of apparently unprofitable visitors.

When a traffic director of one of our greatest railroads was with a smaller road, he granted a courteous hearing to the complaint of a traveler. Several years later, when

he had become traffic manager of the greater road, this traveler called at his office. An important conference was under way, but going to the door of his private office and greeting the caller cordially, the traffic manager said:

"I'm sorry you find me busy, but I'm tied up for a couple of hours. Can't——"

"I just wanted to say," broke in the visitor, "that I am on the transportation committee for the annual outing of our society next month, and I wanted you personally to know I had not forgotten your courtesy of some years ago. If you will send a man to my office with rates for a party of two hundred, I'll see that you get the business."

Telling about this event and others of a similar nature, subsequently, this successful railroad man said to a friend:

"I've had so many queer experiences with callers that I never like to let one get out of my office without personally finding out what he has on his mind. Ordinarily, a man does not try to pay a visit to a busy man unless he has a purpose. To get that purpose, I spend a few seconds with each caller and, if I can't handle the case instantly, I make an appointment."

In this particular instance, the executive made it apparent by his manner that the visitor was welcome and also that time was limited. It was a subtle invitation to do business quickly, or come back later for a more prolonged discussion. It also cordially invited the visitor to say what he had to say and get away quickly.

A well-known executive in a large newspaper office, a man who invariably gets the most out of his callers, and who always gets rid of them when they have taken as much of his time as it is profitable for him to give, re-

cently advised:

"If you want to get the most from the other fellow, never talk about yourself nor permit him to talk about you."

On one occasion an elderly ex-judge from out of town entered this man's office, pulled up a chair and seemed disposed to indulge comfortably in a long chat. Immediately he was pinned down to interesting and profitable subjects. Before a half hour was over, when the judge was bowed cordially out of the door, he had told a story which was illustrated and used in the Sunday paper, had given facts which shed important side lights

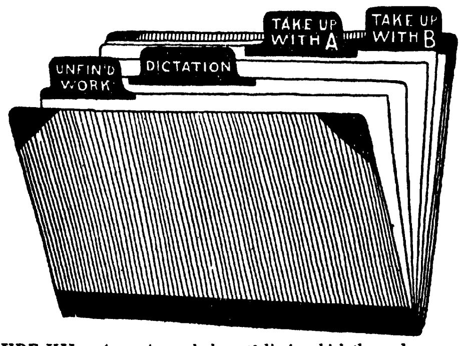


FIGURE VII: A specimen desk portfolio in which the modern executive places notes, memoranda and correspondence that require personal attention. This book is particularly useful as a hold-over file for unfinished business

on a big piece of news then running in the telegraph columns, and had told other facts used with telling effect by the political writer.

When any caller's time was up, when he had told this executive all that was of value, he did not find the chair in which he sat a comfortable place to spend the

remainder of the morning. To permit that would be to wipe out all of the advantage of the other tactics, for it would lose through one method the time gained through another.

While it was not the business of this newspaper executive to "read copy," all of the news from the city staff passed over his desk. Therefore, he always had a convenient bundle of papers on his desk so that when a stranger stayed a little longer than necessary, these manuscripts would begin to come out of pigeonholes and odd places until they made a formidable pile. Usually the caller took the hint and left hurriedly.

Getting the visitor out of the office on schedule time is a delicate task, but it is as vital to executive efficiency as getting all he has to say of profit before he leaves. This executive understood both methods and employed them with consummate tact, when he could, but, rather than risk lowering his personal efficiency, he would resort to extreme methods.

A traction executive observes a simple and straightforward method of avoiding unnecessarily prolonged interviews. To a caller not long ago he said:

"I have a meeting this morning at ten, which gives me fifteen minutes now. I will be back at half past one and will then have a half hour before two o'clock, when I have another engagement. If fifteen minutes will do, I wish you would come in now; if it will take longer, suppose you come around this afternoon."

No visitor could expect to trespass upon an important board meeting, so no offense could be taken.

Another executive excuses himself from callers by a buzzer system. When his secretary announces a visitor, he tells him how many minutes he will be allowed. At the end of that time his buzzer rings, he rises, excuses

himself and the caller usually leaves without further ado.

If another man comes to see this executive while a conversation is in progress, and the secretary knows that his superior wants to see him, a buzzer signal notifies him of this fact. Then if he is interviewing a man who refuses to go, when ordinary methods fail, he presses a secret button which signals his secretary to appear and tell him that he is wanted in some other part of the office.

On the desk of the private secretary of another executive, concealed from the view of the caller, is a device containing a roll of paper, upon which the name of every caller and a statement of his business is written by a pencil that is operated by electricity. This writing is transmitted to a similar device on the desk of the executive. Thus, while he is talking to one man, he is kept in touch with what is going on outside. When a caller stays too long, he points to the long list and states, "I have an appointment with Mr. Jones, and he has been waiting ten minutes. I must ask you to pardon me." The visitor seldom intrudes further. As soon as the caller leaves, he picks up the electric pencil and notifies his secretary what comes next, and thus keeps in constant communication with him without the use of a telephone or buzzer.

COMPARATIVE *reports from which every non-essential is excluded are compiled daily and placed on the executive's desk to keep him in intimate touch.*

The prevention of executive waste from inside the office is quite as important in attaining a high degree of personal efficiency as waste from without. Of these, the reading of reports is a prolific time consumer.

Condensed daily reports, comprehensive in scope, com-

pared with periods at stated intervals in past years, afford an economical and authoritative grasp of the business as a whole. Such statistics are a sort of express-elevator method of getting an effective commercial view attained in the past only by laborious stair-climbing. By means of graphic charts—where squares on paper represent time in one dimension and quantity or value in the other—the mind is enabled to grip quickly the variations which, if studied through the medium of numerical columns, could be grasped only after a siege of mental application. Department reports, division reports and all kinds of house reports gain by this mode of expression.

The task of keeping tab on purchases, current prices, fluctuations and other details is a good test of any executive's ability. He should be sufficiently conversant with conditions to check up intelligently the work of his assistants. Graphic charts facilitate this work.

One executive uses artists' gauge sheets for the purpose. These sheets are finely lithographed with lines running each way, like "quadrilled" paper. Each sheet shows the number of squares to the inch, and each square inch is ruled off with heavier lines. This executive employs a clerk who, with colored ink and a marking pen, draws lines from left to right to show the daily rise and fall in prices. He runs each chart for five years. The name of the material traced is printed at the top of the page. Various colored inks are used to distinguish different years, so that a glance shows any important deviations. At the end of the year the line has progressed across the chart through a twelve-month section.

He also uses a daily record of factory products that shows five years' records as they vary from day to day.

Every morning the charts are put on his desk. He notes the tendency of the market and the conditions of the day previous, also a comparison of past years. Thus with little effort, no hunting and no written reports to wade through, he keeps before him a picture that warns him of any tendency towards weakness.

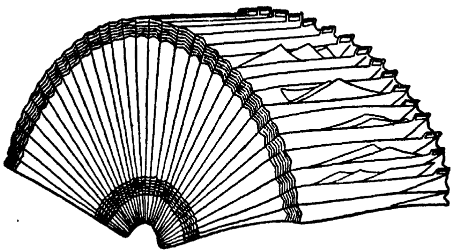


FIGURE VIII: A clever device for facilitating the collection, sorting and delivery of papers in an office—a "mail bag" arranged in compartments in which each department's correspondence is placed

Railroad presidents must be familiar with many different kinds of reports. The head of several interurban railways gets complete daily reports of every detail in connection with each of his lines. He can tell at nine in the morning—unless the telegraph wires are down and the mail trains wrecked—exactly how many fares were taken on every line the day before, how much it cost to operate, how many men were employed—a summary of all important details in the operation of the lines. He does this by means of printed report blanks in which only figures or a word or two need be inserted. He knows what the printed portions say and saves time by reading only the matter inserted. The complete report of each of his lines is reduced to a form three inches wide and eleven inches long. His men maintain their

daily recapitulations so carefully that their chief closes his business every day as though it were his last on earth.

Another executive, also the head of a large corporation, keeps constantly in touch by reports that come in every few minutes. He has arranged the entire office force to carry out his scheme. To the left of his private office is a receiving department, where all incoming matter is received. From here it is distributed and sorted and started on the journeys through the huge office machine. In this routine the details become more and more condensed, so that when they reach the chief they are reduced to the bare essentials.

This man motors to his office at ten in the morning, spends two hours at luncheon, and leaves at four. Yet he superintends every movement of a mammoth business by spending practically all his time scanning reports and making suggestions. He is a high type of the rare executive who handles a big business entirely through a highly developed report system.

Many executives arrange a schedule which calls for weekly or daily meetings with their staff members. While few are so radical as to deny the tremendous impetus that results from the personal touch acquired in these meetings, many insist that far too much time is lost through failure to adhere with strictness to a rigidly-drawn program.

WEEKLY *or daily conferences help clear up many executive problems—how advance preparation makes these meetings yield greater results.*

Discussions usually develop diverse views. Mental processes vary with the individual. Some think quickly, others grasp subjects slowly, approach discussions cautiously and scarcely develop interest until most men are

through. The opinions of these men are valuable, but, rather than humor their mental attitude, one executive has found it an economical plan to send around a synopsis of the subjects to be discussed. This idea was developed through his sales manager, whose
each week. On Thursday morning each man
letter outlining the Saturday conference. H
sample:

Subject: November Sales.
(a) Northern District (Comparisons and divergences).
Eastern District.
Western District.
Southern District.
(b) Factory Shipments.
Storage Shipments.
(c) Foundry Improvements.
Sales Talks—Saturday, November 11th.
Subject: The Howie Patents.
(a) Where the "Gem Royal" falls down.
(b) Howie patents on coke burners.
(c) Our suits for infringement.
(d) Davenport tests in radiation.

On that morning twelve salesmen and the sales manager meet at 10:30 and in one hour have studied the charts, heard the best selling argument of the week, learned how factory shipments were coming on, and departed. "One minute talks" are the rule. The sales manager talks five minutes at the opening and generally five minutes at the close of each meeting.

When reports of meetings reveal to the executive indications of trouble in any department, immediate personal attention is demanded. Rarely, however, should the executive indulge in a personal inspection of details except when urgent.

For instance, mail sales may be inspected for careless handling by taking any one delivery and looking up the

complaints. Agency sales may be inspected through adjustment letters; accounting, purchases, operation and general expense, by selecting a typical case and following it through. Here only does an executive come into actual contact with details. As a rule, he can get at the root of a difficulty by a few pointed questions. If he finds the necessity of inspections when he has no inkling of trouble, there is something wrong with his own work.

Time-saving mechanical devices, such as the "telautograph," overhead basket carriers, graphic charts, mail assorters, and so forth, play an important part in the maintenance of an efficient organization. Many of them are especially designed to short-cut the executive's individual work. But, in addition to the use of all the best mechanical devices, ability to organize *himself*, to conserve his own time apart from mechanical aids, marks the difference in the personal efficiency of the business man.

An executive's efficiency is in direct proportion to the amount of effective work he is able to crowd into each hour. If he so regulates his mail, personal and telephone callers, his reports, meetings and inspections, even to the point of having time for physical recreation every afternoon—that is personal efficiency.

I FEEL *that management is destined to become more of an art; that it will be studied as an art and will rest upon well-recognized, clearly-defined and fixed principles, instead of depending on more or less hazy ideas received from a limited observation of the few organizations with which the individual may have come in contact.*

—Frederick Taylor

Author, The Principles of Scientific Management

PART III—HOW FOURTEEN MANAGERS HANDLED THEIR BIGGEST PROBLEMS

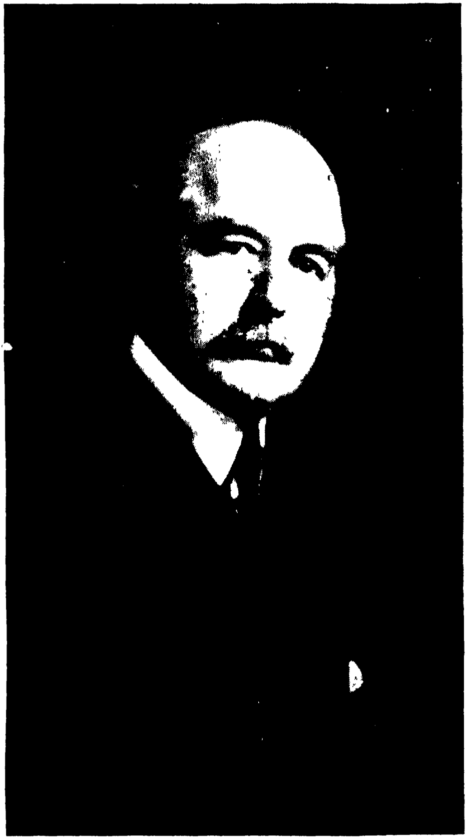
Founding a Business

UNDER the building recently erected by Butler Brothers stand one hundred and ninety-two caissons, six feet in diameter, extending down to hardpan seventy-five feet below the basement.

If, before the superstructure was erected, the earth had been excavated from about these caissons, they would have appeared like a forest of huge concrete columns rising high in the air. And yet, as one looked upon the work just before the basement was walled in, he saw no evidence of caissons; only the trampled pit. There was nothing in sight to indicate the mighty lifting power that had so patiently been prepared for the lofty structure to come.

And thus it is with a great business, although the unthinking man does not appreciate this fact. He tries to build a business upon the shallow foundation which he sees, without providing caissons that go down to the solid rock. He overlooks the fact that back of and under every great success there are years of right thinking and right doing—cemented columns of honest effort and honest dealing—which, like massive piers of concrete, will sustain that business from generation to generation.

Edward B. Butler



EDWARD B. BUTLER

President, Butler Brothers

VII

HOW SIX PROPRIETORS MADE GOOD

By Don E. Mowry

TRAMP down Main street in any one of a thousand American cities or towns. Right and left, at hand or across the way, your eye is caught, your interest captured, by three, five, perhaps a dozen, stores. Their fronts are modern; the window displays fresh; you'll find wares and prices equally alluring. Often as not the owner himself will wait on you. His cordial manner, his salesmanship, impress you; perhaps you purchase something you did not know you wanted.

As a business man, you seek to learn the reason. "Why has this man succeeded?" you ask. "What ideas or personal qualities have shaped this business? What is his plan?" Question him; he gives you an off-hand opinion. Go back again and again, start him thinking and analyzing, and you'll dig out the true fact story of his success.

Such are the six fact stories which follow here. Several business men in one city of twenty-five thousand tell them. Young men, all—young businesses, too—they were chosen for analysis: first, because they are going and growing; second, because their builders owe nothing to outside influences, and third, because each man had a plan, a definite idea shaping and inspiring his work. Back of the success of these men lie the fundamental

reasons for all business success. Their problems are your problems; their solutions may suggest the creative idea or impulse your business needs.

THE REAL ESTATE DEALER: ***Beginning as a stranger in a small city, and in debt one thousand dollars, he cleared twenty-five thousand dollars in three and a half years by analyzing his market and rightly managing the financial end of his business.***

Without a dollar, I came to this city three and one-half years ago. In fact, I was in debt a thousand dollars on account of sickness in my family. I came here because I saw that the location was my real capital. The city, lying between two lakes, must grow at the ends, if at all. The rate of increase in population I found to be about thirteen hundred people a year.

There were plenty of real estate men in the city at the time I arrived. For this reason, as well as for others, I started out, perforce, in a small way. I first bought a house on a five dollar option and sold it before my option expired, making ninety-eight dollars on the venture. My next transaction netted me three hundred dollars.

In the course of a year several moneyed men who saw that I was making my "deals" go, asked me to float their suburban land proposition. By hard work—and it was mighty hard work to look after the details—I carried this first big deal through successfully.

My next move was to interest men with capital in suburban tracts which would eventually be required for city lots. Not a single real estate man had ventured to market property in the outskirts of the city. They unanimously predicted my failure and said I was undertaking more than I could handle. These older real estate men

did not see the advantage of my locations; they did not realize that the city had to grow in the direction of my proposed tracts. The average man in this city saw that here was an opportunity to get a lot for a home at a reasonable figure. That my plan was successful is proved by the fact that these land purchases netted my investors from seventy-five to a hundred and fifty per cent.

In these first suburban-tract deals I received an effective jolt. I discovered that I was making a large profit for my investors but only a small commission for myself. Further than that, these very investors to whom I had brought large financial returns, did not leave their money with me for future investment. They either invested it in bonds, mortgages or other securities or were satisfied to leave it in the banks.

I organized my own investment company, incorporated it, put myself and my small office force on a salary basis and began operations. The lake shore around the city was occupied by a few of the townspeople in the summer months, and at that time a number of cottages had been erected. I bought up as much of the lake shore as I could handle alone and interested a number of business men to take stock in my company. Then we bought more lake shore property. You will be surprised to know that a lake lot, fifty by one hundred and twenty feet, within five miles of the city, costs from nine hundred to fourteen hundred dollars today. All of which indicates that others were quick to see the strategy of location when it was called to their attention.

I have been given interests in other land companies' for my part in promoting them. These interests, together with the shares which I hold in my own company, comprise my assets. My corporation has a paid-in capital stock of sixty-eight thousand dollars, has paid

fifteen per cent dividends in fifteen months and has a surplus of seventeen thousand dollars at the present time. In the three and a half years that I have been in business in this city I have made for my investors over one hundred thousand dollars, and I am safe in saying that I am worth twenty-five thousand dollars in cash today. I employ seven agents who handle different tracts under my directions.

There are a number of successful real estate men in this city, men who have been in business here for a good many years. I believe that my success in just three and one-half years was largely due to the fact that I saw the strategic trend of the city's growth and planned accordingly.

THE SHOE MERCHANT: *Starting in without funds except for savings from his salary as a clerk, in six years he owned two stores carrying stocks worth twenty thousand dollars. His successful executive policies arranged his customers in classes according to their wants and bought quick-selling stocks to fit these definite needs.*

A clerkship in this store was my beginning in business. My brother, who was a traveling man, told me of the opportunity. I came here and went to work on a salary.

After six years the owner of the store wanted to sell out. He carried a seven thousand dollar stock. I could not buy it all, and I believed that I wanted only four thousand dollars' worth. Our trade did not call for the kind of goods represented by the other three thousand dollars. So I offered to buy what I knew I could sell. My employer accepted. I had one thousand dollars of my own, and I borrowed the rest, my relatives signing my paper as security. My present stock in this store is not less than ten thousand dollars.

As a clerk I wondered why my employer would not consider the offerings of other salesmen who came into the store. He had his way of buying from houses that had treated him well, and he did not care to change. I adopted the policy of listening to every salesman who came to sell me a bill of goods. As a result I have taken on several new lines which are remarkable "trade pullers." Then, the advantage of comparing prices and values has been another element which has helped me build up my present business.

I saw that, with greater buying power, I could get better prices. The city of my nativity, fifty miles away, where most of my relatives are living, seemed to offer an opening for a shoe store that carried many lines. I started a store there three years ago and was able to obtain most of the stock on time from the houses with which I was doing business.

I determine values by comparison in selecting my lines. I take the trade papers and am well versed in leathers. I also follow the market. I decide upon my styles by keeping the customers in mind. I never buy merely because I am told that an article will be a seller. I figure that out for myself. Often I ask for a special assortment and insist upon it.

I make my stores attractive, display my shoes in boxes with my own label on them, and conduct regular season-end sales. I try to give the trade what it wants. On a number of occasions I have told customers that I did not think they wanted a certain pair of shoes which they had asked for and I explained why.

This may seem like "poor policy" to some, but I have made good on it during the past six years.

I handle shoes ranging in price from two dollars to eight dollars a pair. To the better class of trade I do

not hesitate to speak of the superior wearing qualities of the higher priced shoes.

If the right location can be found, I will open up a third store. I am now in a position to do this with my own capital. My head clerk here has proved himself reliable. I am going to give him the managership.

THE CIGAR DEALER: ***His initial capital was three years' experience as a salesman, and with it he has built up a trade, which, after four years, nets him over $2,500 annually. He found that retail management requires that you place your store in the right place and then fill it with stock fitted carefully to the demand of the prospects who pass this place.***

After clerking three years in the largest tobacco shop in this city, I decided to go into business for myself. I secured a location—a store on a side street where cigars and tobacco had been sold for some time—went deep into debt to buy my stock, and opened up for business.

I sold more tobacco than my predecessor had done, but the stand did not draw; at least, that is what I concluded. Then I analyzed my sales and found that while the stand had a large tobacco trade (in which there is very little profit), the cigar end of the business was not what it should be. I stuck to the location for another year and lost in all during the two years that I was there three thousand dollars.

Then I bestirred myself to find a new location on the main street. I was able to secure a well-lighted store in the very heart of the traffic of this city, where there is a good deal of transient trade. I had no difficulty in selling my old store for about what I paid.

I have been in the new location two years. My profits for the last year were twenty-five hundred dollars. The present stand is the only one within a radius of three

blocks, and I am sure to make even more money in the future. I have stocked up on several high-grade brands and I get the box trade of this city. No one had ever made a systematic campaign for this business. I find that men who buy cigars by the box will buy a good brand if it is called to their attention.

While there is not a great deal in the box trade, there is an important advertising asset in it. Mr. Brown, for example, who is a business man, has bought my cigars and has spoken to his friends of the special brand that he likes. I know this because customers ask for the "cigar that Mr. Brown smokes." I have been able to have my goods advertised in this way.

It took me four years to find out that, to make a cigar stand a paying proposition, I must locate in the place where people pass many times daily. Transient trade is often the life of a retail cigar business.

THE CLOTHIERS: *They had a ten thousand dollar stock at the start—half borrowed and half saved from salaries as clerks. Their firm netted fourteen thousand dollars the first two years. They found that as an executive each fitted best at the manager's desk in the department about which he knew most. Then they coupled this specialized ability with unusual buying facilities.*

Five of us, young men, appreciating that we had reached our limit working for the big store in this city, decided to start in business for ourselves. When an opportunity to locate on the main street presented itself, we took immediate advantage of it. To overcome the high rent, we leased the entire building and sublet the upper floors.

We incorporated for ten thousand dollars, half of which was subscribed by an outside man who was and is in the clothing business in another city. This step en-

abled us to get an inside tip on buying, because this man operates six stores. The other five thousand dollars came from our savings. We are now in our third year. Our net income for the first two years in business was fourteen thousand dollars.

Our success is due to the capitalization of our own personalities and our ability as buyers of saleable goods.

Each of us, when in the big store, supervised a special department. When we started our own store, each of us became the head of his special department. I knew the most about the buying, so I took that end of the business. At the same time I always give the department head his voice in the matter. Another man is in complete charge of the haberdashery department; he does all of the buying for that department because he knows most about it.

A third member of our firm is card writer and window decorator and is an expert in the boys' department. The fourth man devotes his time to the books and handles the advertising. The fifth man looks after the clothing department and hires the help. Each one of us brought his quota of strength and stability into the business and made it possible for us to start out without hiring any clerks at a high salary.

The buying power was likewise an important asset. Most of the clothing stores in this city have secured exclusive lines because they are old firms of long standing. By arrangement with the out-of-town clothing merchant (or silent partner) we were able to get staples which we could not have obtained if we had not formed the alliance. A shirt, for example, well advertised, was handled by the big store. The trade wanted that shirt. How could we get it? Through our outside man who was operating six big stores in a city of five hundred thou-

sand inhabitants, we found the way.

Did our local competitors complain to the manufacturer? Yes. *What did the manufacturer say?* "We can not turn down a man like Mr. Williams, who operates six stores." Result: we got the shirt. Such was the case with many other articles that we wanted to handle. We are able to get our staples and even our special goods, suits and underwear at figures that are putting our competitors in a secondary position. We advertise our superior buying power—a power that enables us to give greater values for less money. And we are getting the crowd.

THE FURNITURE DEALER: *With one thousand five hundred dollars as a starting bank account, he built up in eighteen months annual gross sales of fifteen thousand dollars. He decided upon definite management policies in his buying, selling and advertising.*

As local manager for a syndicate of manufacturers, I learned a lot about selling and local conditions here. When these men disagreed and the chain of stores was given up, this store was on a paying basis. I decided to reopen at the old stand. I had fifteen hundred dollars of my own and used over half of it to remodel the place. Despite my small capital, I have built up a fifteen thousand dollar business in a year and a half.

This is how I did it:

First: I displayed prominently a few articles of the first quality and kept plenty of cheaper goods in the background.

Second: I made my buying policy essential. Factories that made furniture with individuality and "selling points," often give a special price to introduce their goods.

A concern in the East manufactures articles similar to

those made at Grand Rapids. This eastern concern was not represented in this section, and I was able to secure the line on consignment at a reasonable saving.

In this way my big savings have been made in buying. I aimed to get good furniture from manufacturers who were not represented in this locality.

Third: My store is small, somewhat crowded, but the articles move rapidly. This makes an impression on those who call. The arrangement makes the visitor interested. People look at the goods and often buy articles which they never intended to buy when they came into the store. Instead of using three floors, as several of my competitors have, I keep everything in sight on one floor only. Thus the customers get ideas for purchases.

Fourth: In selling, I hold the prospect until I know what he wants, what he feels that he can pay, and where he wants to put the article which he intends to buy. Then I find out what he has already in the room at home. This helps to make a satisfied customer and sell goods.

Fifth: In advertising in the local papers I never say anything unless I have something to offer. There is always a "special" connected with all of my advertising. I never advertise the arrival of a certain line. When I advertise a line, for example, I have a special in that line at a marked saving.

THE ELEVATOR MANUFACTURERS: *Launching out with only their savings—little more than ten thousand dollars—a salesman and an engineer established a paying business. Their executive methods for handling their market, fixing their standards, analyzing their product and selecting a location for their factory, guided them to success.*

Definite plans sometimes go to pieces in the face of circumstances. My partner and I had laid out a careful program for the starting of our business when oppor-

tunity came along and telescoped it. He was a shop foreman who had plugged through an engineering course by night study, and I was a special salesman for a big transmission machinery house. We were close friends, and for a long time it was understood that sooner or later, when *the chance came, we would launch out for ourselves together.*

We had only what we had saved from our salaries (about five thousand apiece), and we knew that wouldn't go far in starting a business. So we decided to limit ourselves to one circumscribed field and make good in that before we branched out into others. I knew elevating machinery from the ground up. Neither my own firm nor any of its competitors had a line that couldn't be bettered and made more cheaply. Most of the stuff had been designed originally for special jobs and later made a part of the regular line. In consequence, many of the parts were twice as heavy as they needed to be. The idea of getting into the game myself came to me; in fact, after I had tried a dozen times to get our house to redesign our whole line in order to cut production costs and turn out uniform equipment.

The house refused, and after talking the thing over for about a year, my partner and I agreed that we'd use my idea for the cornerstone of our venture. There was no hurry—the longer we put off starting the more capital we would have—and we put in our spare time designing and redesigning the machinery we proposed to build. I knew elevator conditions, while his work and study had made him a sound engineer. We kept three things in mind—the work the machinery must do, cost of production and ease of installing it. We made provision for strength and efficiency first; then analyzed each part from the shop side to get simplicity and re-

duce cost both of materials and labor. We kept a draftsman busy six months on outfits for small and medium-sized elevators. Then, when we were sure we were right, we had our patterns made and even selected or designed the machine tools, jigs and gauges we would need. This preliminary work cost us nearly three thousand dollars.

We were keeping in touch with the towns on the lookout for new industries, though we could see no immediate prospect for starting. Then while my partner was up in South Dakota attending a funeral, he got wind of a new string of elevators some Minneapolis men were thinking of building. There would be twenty-two of these, and all but four of them were of capacities which our ready-to-build machinery would fit. He hurried home with the news. After a lot of hard thinking, we decided to pass up our leisurely program and, if we could land the contract, to launch our business right away. We would need some one big job like this to establish us; the opportunity was too good to lose. I had a frank talk with our manager. He tried to dissuade me, but in the end allowed me to resign.

I landed the Minneapolis crowd. We had to give a stiff bond as security for fulfilment of the contract. But the order was ours, the paper profit looked good and we were launched.

Making good on that contract established us in the trade. The time and care we spent on our designs, too, have paid big dividends; our production costs are lower than the average and the clean symmetry of our outfits is a strong selling point.

What brought us to success? Four things, I think. Choice of a special field not pre-empted by any other firm, and concentration on that field. Analysis of con-

ditions and the designing of our product, not merely to satisfy those conditions, but also to create better conditions. The fixing of standards—not only from the quality and performance side—but also from the cost and production angles. Choice of a location, lastly—also a factor where a man's personality counts for and supplements his capital.

SUCCESSFUL *founders of business have been those men who have radiated their personalities through the structures of trade which they built. Their policies and their methods thus were given additional momentum and their personal magnetism became an instrument unifying employees and attracting customers. This power has caused every employee in such an establishment to give to the business and to his particular work the best there was in him. And the man who can secure that individual effort, general team work and loyalty from those he employs is the man who wins. For a great machine is the more nearly perfect as its every part, even the smallest wheel or rod, moves in unison and with the least possible friction.*

—George H. Barbour

First Vice-President, Michigan Stove Company

VIII

HOW I WENT INTO BUSINESS FOR MYSELF

By
Albert Hoefeld, President, Albert Hoefeld Incorporated
Vincent C. Price, Founder, Price Baking Powder Company
Joseph E Haskell, President Haskell Brothers
Benjamin F. DeMuth, Formerly of DeMuth and Company

WHEN you pass John Wanamaker's great stores, or Claflin's large warehouses, or McCormick's widespreading factories—their bigness repels you. "What can I learn from them—they are so large?" you ask.

But they and all other of America's industries had a beginning—a small one always, and probably not more than a generation away. How they started—that can give you suggestions and help in your work today.

So four successful, self-made business builders in various lines here tell you the opportunity and incentive that led them to break away from the employee ranks and go into business for themselves, the training and policies and methods that made it possible for them to win success.

Not men whose business climbs into tens of millions of dollars and thousands of workmen have been selected to tell these stories, but those whose business are of a size that will afford you a model, a plan and method for your own business.

And these concerns are on the "firing line" today. What they are accomplishing can be analyzed for your needs,

your contingencies and your problems today. For in no feature are things so similar as in their beginnings. They shoot off in all directions, at every angle, but the start is pretty much from the same point. So the stories of these beginners in business may show you that your conditions are right for starting a business, a new department, a different line of work.

ALBERT HOEFELD: *Twenty-five years ago Mr. Hoefeld was a clerk in a hat store. Today he owns four large men's furnishings stores, located on four of Chicago's busiest downtown corners. In a line where competition is keen and margins small, he has built up a large business with a selling force of fifty men and has become a power in the men's furnishings trade of the city.*

A quarter of a century ago I came to Chicago from Germany, where I was born. For a while I worked for a clothing manufacturer. But that didn't offer me the experience I wished. I had my purpose: some day I intended to go into business for myself. To do that I needed to learn how to sell goods.

I talked about this ambition of mine with my friend Mr. Lelewer, the hatter. He offered me a place in his store.

This was really the beginning of my business career, for only then did I begin to acquire the experience that enabled me to carry on a business afterward. The store had a men's furnishings department, and to that end of the business I gave most attention.

As I look back I can see that I was different from many clerks. I was eager to learn, for I had a definite aim. For instance, I undertook at once to trim windows —something which most clerks avoid because they don't want to be kept in the store until ten or eleven at night. They think they aren't hired for this. With me it wasn't

a question of what I was hired for; it was a question of how much I could learn.

I was on the lookout, too, for ideas. I remember that I conceived the plan of installing apparatus for ironing silk hats, instead of sending them out. This idea enabled us to keep fifty cents in the drawer for every hat we ironed, instead of turning it over to somebody else. Just such things as these gave me the confidence of my employer, and in six months I was doing all the buying for the furnishings department.

This department became too big for our quarters and we leased another store for it, at 130 Dearborn Street. There never was any question as to who should run the new store. Although my employer had men who had been in his service longer than I, he offered me the position—on either a salary or a commission basis.

"I'll take the commission," I told him. It was almost like being in business for myself. To all intents, I was proprietor, and most of our customers supposed me to be.

Our rent was soon after this raised from $3,300 to $4,800. We considered this exorbitant and refused to renew the lease. I thought this a good time to start out for myself in reality, but when I brought it up to Mr. Lelewer he made an offer which I accepted; the business was to be conducted in the old name, but I was to be a partner, with the privilege of taking complete control as soon as I wanted it.

We found a location on La Salle Street, just south of Madison, and moved there. A year later we moved around the corner to a Madison street frontage we had leased a year in advance, not being able to get it at first, and later we occupied the corner basement store.

Meanwhile I found myself able to take over the busi-

ness. We took stock; I had $3,000 in it and Mr. Lelewer $1,500. Then one after another, I have opened three large stores, in addition to my first quarters, which I still occupy.

But success in business is not merely a matter of getting started. I did go into business on the right basis. I took all the steps that proper experience and testing require—first as a salaried clerk, then a department manager, next on a commission basis, then as a partner, finally as controlling owner. But after I went in business for myself, I had to learn to run it.

I have always conducted my business on the theory that merchandise is not the best liquid asset, and that it is bad policy for a merchant to tie up all his resources in that way. Since my second year, I have religiously withdrawn a fair proportion of my profits and invested it in securities. In an emergency, I could get money immediately by sacrificing a little, say ten per cent. But if I had only merchandise I would have to sacrifice fifty per cent or more.

I borrow at times, but never for the purposes of expansion. For example, goods are sold, say at six-ten, or five-thirty. By paying thirty days before due, I can save five per cent in that period, while I can borrow at the bank at five per cent per annum. Or, by taking advantage of datings I get goods in March, say, dated May 1. By the latter date, I will have sold a lot of them, without having paid out any money.

These are advantages of credit, and credit has been one of my fundamental principles since the beginning. A merchant is always ahead of the game, instead of behind it, when his credit is good and he knows he can meet every promise. If I have $10,000 in cash in the fall, I buy bonds with it, instead of leaving it in my

bank account until spring. Then I borrow from the bank to buy my spring goods.

By starting this plan at the foundation of a business it works automatically, provided the business is paying at all, and the surplus expands along with the business. The reserve ought to grow as fast as the store. In my own business, I aim to keep the surplus liberal. At times it has exceeded the sum I had in my business. There would be fewer failures if merchants would check the tendency to let their businesses run away with them.

In starting my stores, I have always sought good locations. I believe in getting into the heart of things—going where the markets are. Originally, I intended to establish my business in Seattle, but Mr. Lelewer dissuaded me. "You can do anything in Chicago that you can do in Seattle," he said.

His advice was sound. Men sometimes run away from their opportunities, imagining that somewhere else they will find big profits and smooth sailing. Where there are people and markets for goods, a merchant can sell.

VINCENT C. PRICE: *Over a half century ago Dr. Price gave up the practice of medicine in New York state to become a chemist, and from that he graduated into the manufacture of a baking powder. This he developed into one of the largest industries of its kind; then he sold this business, which began in a kitchen, for a million and a half dollars and went into the manufacture of other food products.*

It was a necessity of the kitchen that led to the founding of my business, and which led, ultimately, to the largest profits ever made from a single factory product.

When I was studying pharmacy at Troy, New York, my mother suffered from dyspepsia. She could not eat yeast bread, so I gave my attention to discovering a sub-

stitute. The result was my baking powder. I did not then contemplate its manufacture for sale, but I began to make it in small quantities at my laboratory in Troy. I sold it only in bulk, and in a minor way, for several years; but the impression was growing on me that I had an article of real value in the household, and I decided to go west where the opportunity would be better. I thought Chicago too big for my resources, so I selected Waukegan, Illinois.

I had three thousand dollars in cash, which had come to me through relatives. I rented a small building and began, for the first time, to make baking powder as a business. I was sure of my product, for it had proved itself countless times.

But against my own confidence was arrayed absolute indifference on the part of the public. My markets were wholly undeveloped, my name was unknown, and success was dependent on building up a desire for my product. How to do this was the problem.

One day I put up a lot of samples in envelopes, each sufficient for one quart of flour, and went to Milwaukee. I visited all the hotels and left my samples with the cooks, without charge. Then I canvassed the principal grocery stores and distributed more samples, to be given away to customers. I talked with the grocers and told them that if they would follow the thing up, they would make money by it. I explained the advantages of my product over the slow-rising yeast, and predicted a big demand as soon as housewives began to realize what it meant to them. Of course I did not dream, then, of the tremendous success that was to come, but I did feel sure of building a good business.

Within a few days I heard from the Milwaukee hotels. They wanted more of the baking powder. Orders from

grocers followed speedily. Then I got out more samples, hiring men to distribute them. I began to circularize, too. I kept up both plans steadily, enlarging my sphere of action as the orders increased.

During the succeeding two years I made a little money over operating and living expenses. Both of these items were extremely low. If I had not kept them *down to bed-rock*, I could not have continued. I was resolved to keep the business within its income, no matter how low that income might be. But I continued pounding away at the trade, and kept out of debt. And all the time the orders increased.

Later I decided that Chicago was the best field. The city, not the country, I had discovered, took most kindly to my article. So I moved my little plant there, and continued the same line of campaign—samples, circulars, and personal solicitation.

Then next I began advertising in the newspapers. I was cautious at first, though ultimately I spent three or four million dollars for space.

At the time I began to advertise, I had a partner who did not believe in this form of campaign. He thought it was throwing away money. As we could not agree, I bought him out. To me, publicity had always seemed the logical way, provided it was consistent with the resources of the business itself. And newspaper space was merely an expansion of my circularization policy, on which I had largely built the business. However, I did not believe in plunging. My great volume of publicity grew as the business grew. In my other and later enterprises—flavoring extracts and cereal foods—I have followed the same policy of working along the lines of least resistance. For example, if I found Texas the most susceptible to a campaign or product, I devoted

my energies to Texas and left Chicago for a later period.

Finally I sold out for $1,500,000, but since then the consolidated companies have developed the field in an extraordinary manner, and have taken out of it in profits more in a year than I received for the business.

The underlying element in my success lay in having a product of real benefit to mankind, and in making the price low enough to be within the reach of rich and poor. My greatest obstacle was to convince people that my article really was a benefit. I would not have succeeded without confidence in my goods and patience and persistence, and a steadfast resolution to make every step pay for itself before I took another.

I believe that most men fail because they try to do too much. They are not satisfied to start in a small way, and to develop a business consistently. They begin with impossible expenses and a top-heavy organization, and are swamped before they get their markets. And quite as important as anything, they are not content to live according to their business.

JOSEPH E. HASKELL: *Right after the Civil War, Joseph E. Haskell and his brother took their capital of one hundred and fifty dollars and started a little trunk factory in a basement. Quality in product, square treatment, holding expenses down, keeping expansion within the bounds of credit—these things built the business.*

In my youthful days I worked at various occupations—farming, milling—and in a trunk factory. It was my work here that turned my thoughts toward the opportunity in this business.

It was at the close of the Civil War, and there was an immense demand for trunks of the cheaper kinds. Soldiers were returning to their homes and spending their money liberally. My brother and I, together, had

less than one hundred and fifty dollars capital. He was a salesman; I a practical trunk maker.

We believed the market was at hand, our joint knowledge of the business and experience adequate, our opportunity favorable. So we started a little shop in a basement. I was the only workman—my brother the only salesman.

Our early obstacles lay in obtaining the confidence of customers and creditors. There is only one way to do this: avoid everything that savors of untruth or trickery. Little things count big sometimes. And a little over-shrewdness toward a customer will destroy his confidence. I believe that one of the hardest battles a young house can have is to eliminate everything savoring of sharp practice. Many a business fails because of the cumulative effect of these little things—often laughed at when they occur, as very good jokes.

Quality alone builds confidence—the only guarantee of permanent business. Once, for instance, a customer, ordering twenty salesmen's trunks, said to us: "We will pay you three dollars a trunk more than your price; put the extra money into the goods." No specifications were given us for additional outlay; we were trusted to produce the quality. Of course, the class of trade must be considered, but other things being equal, quality is most important. If your product is right, your business will grow without any haggling over prices. And to maintain quality, everlasting watchfulness is necessary. I work as hard now as I did at the beginning.

We expanded our business as it grew—and only as it grew, always having cash to swing it, never borrowing any capital. I have observed that prosperity ruins more men than it benefits. As soon as they see things coming their way, they begin to plunge, and get in too deep.

They don't seem to be able to plan consistently. Either they go into debt, in order to make bigger profits, or they begin to take life easy.

I have noticed this often in partnerships; one partner would be left to carry the burden largely alone while the other took extended pleasure trips. The stay-at-home partner, naturally, resents the situation and relaxes his own attention. The result is indifferent methods, deteriorating products, and loss of standing and trade. Poorly matched partners cause many failures.

Expense was an item we watched closely at the beginning, both in business and personal items. Extravagance at home is sure to be reflected in the store or factory. I believed in saving at least twenty-five cents on every dollar I earned. I see men all around me who are not determined, safe, stable; they can't hold themselves down to any particular plan. Such a man should not go into business for himself, for then he has no one to hold him to his course.

There are two main factors to success: first, the opportunity; second, the ability to follow it up. Some men can't realize an opportunity, while others who are competent to succeed lack the chance.

BENJAMIN F. DeMUTH: *Forty-five years ago, at the age of fourteen, Mr. DeMuth started working. As retail clerk, partner, traveling salesman, store manager and owner of his own store for a quarter of a century, he has learned the ins and outs of doing business and the principles of safe retailing.*

When I was a boy I worked a year in a tanyard in my native town in Ohio. Then for four years I clerked in a shoe store. With five hundred dollars I had saved I went to Mt. Vernon, Ohio, and helped establish a retail shoe business. My partner put in three thousand five

hundred dollars, but he had no knowledge of the shoe trade, so the profits were divided equally.

We did well, but before long my partner decided that he knew as much as I about the business. He proposed that I put in five hundred dollars additional and that he draw out five hundred dollars, making my interest one thousand dollars and his three thousand dollars; then he wanted three-quarters of the profits.

But I have always considered knowledge valuable, and I had spent years in the shoe and leather industry. I knew all the processes through which the raw materials went, and understood how shoes were made and how they were sold. I knew clerks who had worked twenty years in shoe stores without even knowing on which side leather was blackened. I refused this partnership plan and sold my interest to him, so that he might have all the profits. I was not surprised later to learn of his failure.

I went to Cleveland to get work, securing it in a shoe store at ten dollars a week. I slept in the store, swept it out at six in the morning, paid three dollars a week for my board, and saved money. I was ambitious to get up in the shoe business, and I took particular pains to oblige customers and gain their good will. I had many regular patrons, who always asked to have me wait on them. In those days we did not deliver shoes, and I remember going often in the evening to make a delivery of my own volition.

It was these methods that got me a better position, and ultimately attracted the attention of John H. Hanan, the Brooklyn shoe manufacturer. After eight years in Cleveland, I went to Cincinnati and started a shoe department in a big store. Then I went on the road for Mr. Hanan. But this calling did not

suit me. The opportunities were not big enough, and I was forced to waste time that I considered valuable.

My resolution crystallized one morning in Richmond, Indiana. I finished my business, and had to wait until evening for a train to Indianapolis. As I sat in the lobby, idling away the hours, I made up my mind that I would get into a business where I could make every day count. I had stood this loafing job as long as I could.

When I got back to headquarters I told Mr. Hanan my decision. He had been on the road, and he agreed with me. He said he would back me in going into business for myself and proposed that we both go to Chicago at once and select a location, for he believed the opening in Chicago good. We acted on the plan, arrived in Chicago early one morning, and found a store before we had breakfast.

I proved the opportunity, and afterward, opened another store in Cleveland—the finest in the city. It was the proudest day of my life when my first Cleveland employer came in to see me.

The only policy for a merchant to follow is to carry full quality and never try to fool the people. I know a shoe dealer who always p[illegible] his [illegible]st-looking shoes in the window, regardless of what he had in stock. Then when customers came in, he would have to tell them, often, that the line was broken and he didn't have their size in that particular shoe, but that he had other shoes —and so on.

I always say to my men: "Take shoes out of the window the moment you find we cannot supply people who are attracted by them."

Another policy is truthfulness—to self as well as to customers. I never tried to hoodwink myself into be-

lieving things I knew were not so. For example, some merchants count their profits even though they turn around and put the money back into goods. But when you analyze the proposition, you must see that profit is not a profit when it is locked up in stock. Men will tell you how much money they have made in a year, and when you ask them where it is they will turn proudly and point to an immense lot of merchandise. It may be a prospective profit, but not a real profit. Let some stringency strike them, or a fire, or any one of a dozen misfortunes, and that boasted profit is wiped out.

Some stores carry twice the stock they should. I can put my finger on merchants who have goods that have been on their shelves six or eight years. And when they invested some of their earnings in that stock, they merely credited profit and loss account with what they considered net gain. This is the sort of fallacy that inflates a business like a balloon. It may look like a solid, dependable mass, when in reality it is largely gas.

I believe I succeeded by keeping down to realities. I have kept my stock fresh, paid cash, taken a proportion of my profits out of my business, stretched a point in favor of customers, advertised, and maintained a good location. And business has come to me because customers got what they wanted from me.

CULTIVATE *the company of successful men. Choose, particularly, the men who have made their mark in the business which you have undertaken. By rubbing shoulders with them you will absorb ideas which will help you up and by the light of their experience you will be able to avoid many of the pitfalls about you.*

—Henry Hewitt

President, Hewitt Land Company

THE OLDEST STORE IN NEW YORK

(DESCRIBED IN CHAPTER IX)

Seventy-odd years ago the New York directory showed the names of five hundred and seventy-one retail grocery stores. Today there is left only one which has been doing business continuously and under the same name during the seventy years. It is New York's oldest grocery store.

There are reasons behind this single success —the reasons that underlie all successful merchandising and are as adaptable to business today as yesterday. Finding the grocers of New York reaching out for trade no farther than the limits of their own narrow neighborhoods, these two partners decided to compete for the business of the entire city. Finding that poor goods were constantly being sold to customers by other stores, they decided that they would lose a customer rather than work off a poor article. Finding, finally, that other stores made no attempt to give service beyond what was absolutely required, they determined to do everything in their power to draw trade through unusual attention given to every customer.

Starting out as clerks working in the store from five-thirty in the morning until ten o'clock at night, these young men, Park and Tilford, launched out for themselves against the advice of their employer. They began at once to tell housewives about themselves, and quickly won an enviable reputation among people who appreciate quality in goods and excellence in service. Today the name of their firm, three quarters of a century old, appears on store fronts in all parts of New York City.

The story of this exceptional firm points for you the "how" back of the five executive policies that made its success, and which are essential to every lasting retail business, and describes methods for actually putting them into practice.

IX

THE POLICY BEHIND NEW YORK'S OLDEST STORE

By Edward Mott Woolley

TWO grocery clerks were about to start in business. They regretted that they knew so little about the other grocers of their city, New York. Their friendly employer, interested, offered this advice:

"Don't trouble yourself about them. Not more than three or four of them, right in your neighborhood, can possibly be your competitors. Confine your attention to these."

The two young partners discussed this advice.

"I wouldn't start in business," said one, "if I really believed I'd be so insignificant that only three or four groceries would consider me a rival. I'm going after every one of the five hundred and seventy in this city,"

This was over seventy years ago, in New York City. Three years before, this young man had come up from the country and had gone to work in Benjamin Albro's store at 268 Grand street. Two years later the second youth became a clerk in the same store. And a year later the two opened a grocery of their own at 25 Carmine street—the five hundred and seventy-first grocery store in New York.

One of the partners had been storing up ideas during his apprenticeship. But working hours of five-thirty to ten leave little time for outside investigation. Now, in

spite of his old employer's advice, he began to study the other fellow. For the next few months he spent all his spare time visiting grocery stores in the guise of a customer.

> FAILING *to find a New York grocery that was right, Joseph Park and John M. Tilford evolved service principles that have endured in their stores.*

His final conclusions he stated to his partner:

"I haven't yet found a store that does things *right.* In the first place, these New York grocers are not good buyers. They go on the principle that they can work the stuff off, even if they do get a lot of undesirable goods. When they buy, they have no standard.

"In the second place, they don't make their stores attractive. The people must have groceries, and they buy where they find it most convenient; but there isn't a store in the lot that offers any particular incentive to attract customers from outside its own little district.

"In the third place, they don't all treat their customers right; some misrepresent, adulterate goods, make promises without any intention of keeping them. They *hustle* to sell goods, but they let their customers look out for their own interests. They don't get into the right *touch* with people."

So here, at the start, the partners, Joseph Park and John M. Tilford, laid down the principles that have governed the business for seventy years. And within a year or two of that beginning, the store did have among its competitors a large number of groceries. Over a considerable portion of New York the people had learned that this store was a desirable place to trade when a particular quality of goods was imperative, or when some special service was necessary. And now this

store competes with nearly every grocery in the metropolis, for the name of Park & Tilford is on not less than nine branches.

How did the New York buying public acquire this information?

The partners' scheme was *personal touch*. Refusing to consider their territory limited to a few blocks about their store, they sent men out to ask for trade, to talk to the housewives. In this way, they demonstrated first that their store was more than a local institution. And for sixty-five years afterward, this was the way they conducted an ever-expanding advertising campaign. This is the way they conduct it today; for, while they now use printer's ink, their printed advertising is built on and adapted to their old method of personal touch.

The five chief essentials of acquiring publicity *by personal touch*, as defined by the management, are these:

First—Dependable quality of goods to be handled.

Second—An attractive store, but not "repellently attractive."

Third—Reliable men to come in contact with the firm's customers.

Fourth—An adequate and aggressive system of personal contact.

Fifth—Absolutely reliable service.

The methods by which these principles have been carried out are here analyzed. And a policy and methods which have built up the one business which has survived for seventy years, must afford ideas and suggestions that every merchant can apply in his own business.

The first point—quality of goods handled—was one of the most difficult the original founders had to attain. Having announced this essential as one of their standards, they found they had to fight for it. As buyers,

they quickly got the reputation of being cranks.

Unable to sell inferior goods to this firm, certain dealers saw the opportunity to build up a trade in superior goods. The standard was fixed for them to reach and they began to match it. Then, the firm was no longer on the defensive.

Today the head of the firm carries this principle to its utmost. He refuses to handle goods on experiment and, having established brands which he knows to be uniform and reliable, he is extremely slow to change. If there is experimenting to be done, it is not the firm's customers who are asked to do it.

RIGHT *quality at a price the consumer can pay and goods that appeal to different classes—these are fundamental in the Park and Tilford policies.*

To uphold such uniformity of product, a fixed system is needed. The manufacturers and wholesalers who supply the house are kept up to standard by a system of purchase inspection in which there must be no element of chance.

All goods are checked immediately upon their receipt for quality and quantity. If there is anything about the goods that raises even the possibility of doubt on the part of the testers or inspectors, the articles in question are sent to their respective floors, where they are again carefully examined by special experts.

All general lines—staple groceries, canned goods, coffees, teas, raisins and every other food product except brands of prominent manufacturers advertised by brand name—are mercilessly examined, and must meet quality of previous grades or original samples submitted, and must rank in their respective grade. If not, they are rejected. The same careful examination is made of spe-

cialties—cigars, for instance.

The firm realizes that high quality cannot be secured merely by the request of the buyer. The inspecting and testing system must supplement the mere policy.

There is another element, too, that enters into this matter of buying high qualities—keeping price down. The mere buying of high quality is no advantage to the merchant unless he can buy for the same price that another house pays for inferior quality. Expertness and a knowledge of markets enable close buying.

The firm considers its retail selling price quite as important as the buying price; to charge more than a price prevailing throughout the city is considered an offense equal to selling inferior quality—an offense that operates directly against the firm's policy.

In attaining the second essential to publicity by personal touch—an attractive store—a long study in effects has been made by an analysis of the question:

"What is the real definition of an attractive store?"

This depends first on the people to be attracted. A grocery window filled exclusively with table luxuries, within the reach of the rich only, might make a pleasing display from an esthetic standpoint, but it would not attract a general business to the interior of the store. A shoe window showing only patent-leather goods would scarcely draw the man who wanted a pair of heavy water-proof shoes.

If a house has only the one class of customers, and wants no others, then window display becomes simplified. But if it has various classes, the question is one of determining what sort of window will attract buyers as a whole. The window-trimmer must put himself in the mental aspect of the average person outside who pauses to see the display. If this person is a rich man,

will he be impressed with the fact that here is a store where he can procure not only the luxuries he desires, but the more modest necessities, as well? If he be a man of the average, will he be frightened away by the sumptuousness of the window?

Although catering to the high-class trade of New York, the firm looks to the upper well-to-do class for a large percentage of its support. It is apparent, therefore, that a really attractive store, from the standpoint of business making, must not appeal to one class to the exclusion of the other.

The same truth applies to the interior of the store. It is far from the purpose of the business to make the stores museums of high-priced articles. Experiments along both these lines have demonstrated in dollars and cents the drawing power and repelling power of interior store arrangement. A happy medium has been found to lie in the blending of various classes of goods, so that all prospective buyers would be attracted.

In deciding these questions, the rule is adopted to make the firm's stores a reflection of the truth. The firm sells both classes of trade and a store, like a person, may carry too boastful an atmosphere.

CLEANLINESS *in the store and care in the selection of the men who meet customers have been essential factors in making the Park and Tilford groceries successful.*

Another element to the attractive store often neglected by grocery houses has been considered: punctilious cleanliness. Not only is it the object to display the goods attractively, but to handle them attractively. Cheese, for example, is cut on a marble counter, and is wrapped in oiled parchment paper, without being unnecessarily handled. Oiled paper is placed against the butter and

the cut portion is turned on paper and wrapped without coming in contact with the hands. Knives are cleaned constantly, scoops continually burnished, and other implements and receptacles kept immaculately. In the bottle-washing room, after being cleansed, every bottle must pass inspection before a gas jet. And this policy of spectacular cleanliness is made to include the employees who handle the goods.

This is really part of the third essential—quality in the men who are to come in contact with the firm's customers. And the firm's employees are the medium for reaching the fourth essential—an adequate system of personal contact. In extending business through personal touch with the public, the firm looked beyond mere amiability and diplomatic handling of people. The system was also aggressive, creative, business-building.

Today the firm's personal-touch business getters are of two classes—solicitors of new customers, and solicitors of the daily order from existing customers.

Between seven-thirty and eight o'clock every weekday morning, this quiet but aggressive power is set at work among the homes of New York.

This staff penetrates to the kitchens of the metropolis. Today the most exclusive homes open to them. But this end has not been easily achieved. If the aggregate history could be written of the seventy years of battling for business by this laborious personal touch, the sum total of discouragement and rebuff would be enormous.

The solicitors of new trade are an organization by themselves, devoting all their time to this work, while the other class of solicitors—the order-takers who visit customers already secured—are called upon at times in the double capacity of taking orders and canvassing neighborhoods for new customers.

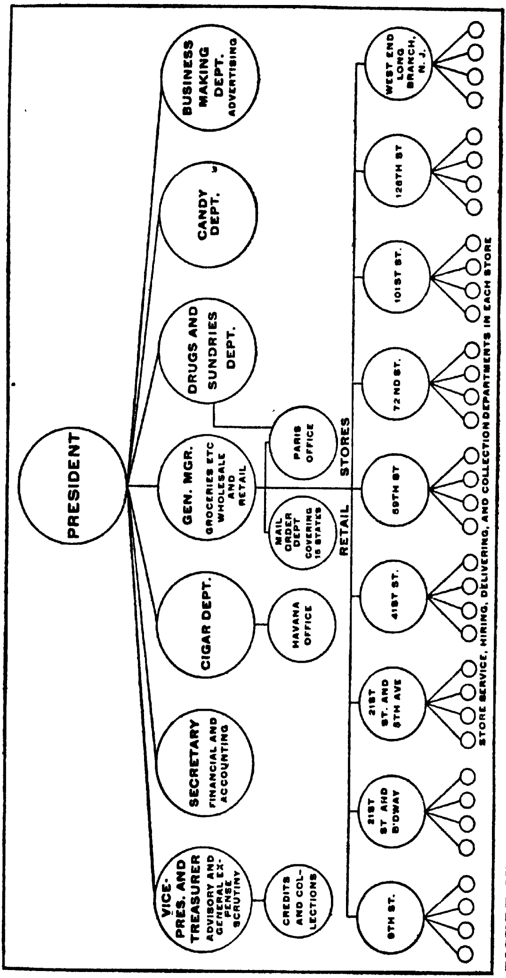


FIGURE IX: Organization in the Park and Tilford stores is pictured in this chart. Although these stores are scattered all over the city, the management of them is highly centralized

Solicitors do not carry samples, but take out the *general catalog* as a guide and argument. In this catalog a system of grouping is followed that begins the list with things used for breakfast and ends it with desserts. The reader goes through the articles in logical sequence, without a confusion of products. An index also supplements this arrangement. As fast as the solicitors turn in the names of prospects and customers, catalogs are mailed to them. New accounts are very closely followed up, both by correspondence and personal calls; the idea is to develop the legitimate purchasing ability of each customer to its maximum.

In the selection of solicitors the greatest care is maintained. They are classed as salesmen, subject to all the requirements of a difficult art. They are required to know the firm's goods as accurately as a road salesman should know his line. Any misstatement is an unpardonable offense, and in conflict with basic policy.

But this *securing* of business by personal touch is only the beginning of the firm's system of extending publicity by its intimate and satisfying contact with customers. Having obtained the order or secured the new customer, the next step is to fill the order—fulfil the promise on which it was gained.

The firm has always felt that this is the most important function of a business. Many houses neglect it; often extraordinary laxity is manifested.

The purpose has been to give the delivery system the rigidity and elaborateness of a railway train schedule—and it is probably better lived up to.

This delivery system handles daily an average of about 25,000 separate orders in New York, not including the extensive mail-order business. The Seventy-second Street store has made deliveries in one day of 3,500

orders. Each store maintains its own delivery organization, with its exact routes and time-tables. How precisely these routes are laid down is shown by the following schedule of a wagon operating in Brooklyn and Greenpoint:

> "Beginning at Houston Street ferry, Grand Street to 51 Broadway, to Kent Avenue and Eighth Street, Wilson Street, Penn Street, Flushing Avenue, to 750 Park Avenue, to 708 Green Avenue, to 567 Putnam Avenue, to 202 McDonough Street. Turn to 1719 Fulton Street, to 465 Halsey Street, from 502 to 836 Hancock Street, 517 to 850 Madison Street, 703 to 854 Gates Avenue, 780 to 980 Lafayette Avenue, 449 to 1089 Broadway, to 543 Grant Street, to 50 Brunswich Avenue, to 200 Graham Avenue, from 215 to 500 Driggs Avenue, to 980 Lorimer Street, to 835 Manhatten Avenue, from 1 to 250 Greenpoint Avenue, Java Street, Eagle Street, to Greenpoint Avenue, to Twenty-third Street ferry.

This one wagon repeats this trip continually. At any given point on the route the housekeeper, when she learns the schedule, need not trouble herself with fretful watchings.

"A trained and pleasant-mannered solicitor is a definite force in securing the right sort of publicity," said an executive of the house. "But the cheery voice of the delivery man, as he deposits bundles on the kitchen table at the time prescribed, is far more potent."

Working on these principles, the business grew rapidly, not as a department store grows, but by closer, more intimate personal touch with the people. The policy was the reverse of that of a department store—the reverse of concentration.

From the beginning the firm went to the people, sought them out in person and wove its business among them. In 1847 the business had outgrown its original quarters, and a larger establishment was opened at Ninth street and Sixth avenue. Here the headquarters re-

mained for more than ten years, when the first Broadway store was established. Between that time and this, new stores have been opened to keep pace with the northward growth of New York.

The well-knit and effective organization of the house—as shown on the chart—has been a factor in its success. But only as it has carried out its policies. And so of the greatest significance to every merchant and worthy of study are the five factors that have made this success, because they are absolutely known to be the causes of the growth of this business. No printer's ink advertising was done until five years ago. Not that this disparages advertising. For as a store official said, "Our success would doubtless have been much greater and earlier had we advertised all along."

And yet these retailers have always advertised; they have kept in touch with the public. They have carried quality goods and given good service—and have told the buying public about them. They have gone out looking for the buyer and forced this story on him—they have made good on this service.

That is advertising. And it is just as ready for you and usable by you, no matter what or where you sell as the columns of your local paper.

HUMAN *beings are not like merchandise, nor are they to be handled as merchandise. Dealing with the purchasing public is a problem in personality, and it is through the point of contact, wherever it may be, at the counter, through correspondence or whatever the service rendered, that the favorable impressions are created which ultimately constitute one of the firm's greatest assets.*

—Henry C. Lytton

President, The Hub, Chicago

SELFRIDGE'S, THE STORE THAT STARTED BIG

(DESCRIBED IN CHAPTER X)

"Begin small; grow big—slowly," is a foremost precept of business.

But there was started in London a business that began big; a business which on its first day of operation occupied a specially constructed building of five stories with six acres of floor space; with a thousand employees behind its counters, at its desks, in its warerooms; with two million dollars' worth of goods on its shelves ready for buyers; with a policy and plan of organization definitely laid out for it. A thousand details had to be looked after and focused on that one opening day.

Service was the policy back of this enterprise and foremost in the mind of its founder, H. Gordon Selfridge. To the English public his idea was revolutionary and in marked contrast to the policies prevalent in other English stores. At first it was hard for Londoners to believe that he practised all he claimed, but his insistence on the word "service" has after several years won the hearty support of the public, and now other stores are following in his lead. His business is probably growing at a faster pace than any other big London store, and is producing deserved profits for the founder.

"Selfridge's, London" was a unique venture; an organization intended not only to achieve greatness, but to be born great. To be put into effect at all, the idea required a most careful plan. How this plan was worked out successfully, how the doors of this great store came to be thrown open on the appointed day to the waiting public, is told in this chapter, partly in the words of Mr. Selfridge himself.

X

BUILDING A BUSINESS TO ORDER

From an Interview Given by H. Gordon Selfridge, Managing Director, Selfridge and Company

IN a small suite of offices on Oxford street, in London, a business builder planned for two years. Planned the opening of a retail store which should stand among the world's greatest on the first day of its existence—working out, one by one, the problems and details of its organization and policy: that was H. Gordon Selfridge's two years' work. And these plans culminated in the opening of Selfridge and Company, London, to London's buying public.

The experience in business and retailing on which basis Mr. Selfridge planned is the first stage in this story of a business built to order. Over twenty-five years ago Mr. Selfridge came from a country village to Chicago. He started working in a retail store as an office boy. Ten years later he was manager of the store; and ten years after that he was managing partner of the world's greatest retail institution—the house of Marshall Field and Company.

This was the basis of experience behind Mr. Selfridge when he determined to open a great retail store in London. The initial step was to determine the policy of the store. First and foremost it is to be emphasized that the Selfridge store is an English store, designed to appeal to the English public, manned by an English staff. It is

not an American dry goods store set up in London.

Mr. Selfridge has never been a narrow retailer. He had bought and sold products from all corners of the entire world; he had bought from people of all nationalities; he had sold to people of all classes. So first he studied the conditions of the field he was to enter; the market and, most important of all, the national characteristics of his prospective clientele. Every city has its different business customers, its own type of buying public. By observation, by study, the merchant must grow to know what the public with which he is concerned likes in his line; what they might prefer, what they have been accustomed to; he must grow, in a word, to be one of the public himself.

SECURING *the confidence and friendship of the buying public is a cornerstone in the Selfridge policy which has started a retail business big.*

What perhaps is the prime principle of his policy, Mr. Selfridge expresses this way: "Get the confidence of the public and you will have no difficulty in getting their patronage. Inspire your whole force with the right spirit of service; encourage every sign of the true spirit. So display and advertise wares that customers shall buy with understanding. Treat them as guests when they come and when they go, whether or not they buy. Give them all that can be given fairly on the principle that to him that giveth shall be given. Remember always that the recollection of quality remains long after the price is forgotten. Then your business will prosper by a natural process."

"When I was a boy, and newly entered to my firm, I was told to make out a bill against a railroad company for some sheeting damaged in transit. A few days later

my chief sent for me and brought the matter up.

" 'Young man,' he said, 'you have done something I want you never to do again. The bill you made out should have been for the cost of the sheeting to us; not for our selling price.'

"The small difference never would have been discovered by the railroad company, and many merchants would have considered it legitimate, for it would hardly cover our expense in insuring and handling. But I have never forgotten the justice of my old chief's reprimand, and the wisdom of his words."

Because of his anxiety to serve his clientele in the light of his twenty-five years' experience in the possibilities of retail development, many innovations unknown to the British shopper mark the Selfridge service.

English stores were usually from first to last, "salesrooms." No individual was welcome there unless he or she had something to spend and wanted to spend it. They were closed houses to the general public, and to return a purchase to one of these stores was to court trouble unless you had some specially good reason to offer.

On these two points, at least, Mr. Selfridge's service is different. "The open door" is the first principle. "Money back without question" is another. Points of this kind distinguished his store service over the retailing methods to which he first offered competition.

A beautiful home, an efficient staff, a perfect stock, will not win dividends if the confidence of the public is not obtained. Mr. Selfridge holds that the most expensive and destructive thing a merchant can do is to fool the public or even give the buyer the impression that he is being mistreated. He quotes this saying of the Indians: "If white man fool Indian once, shame on

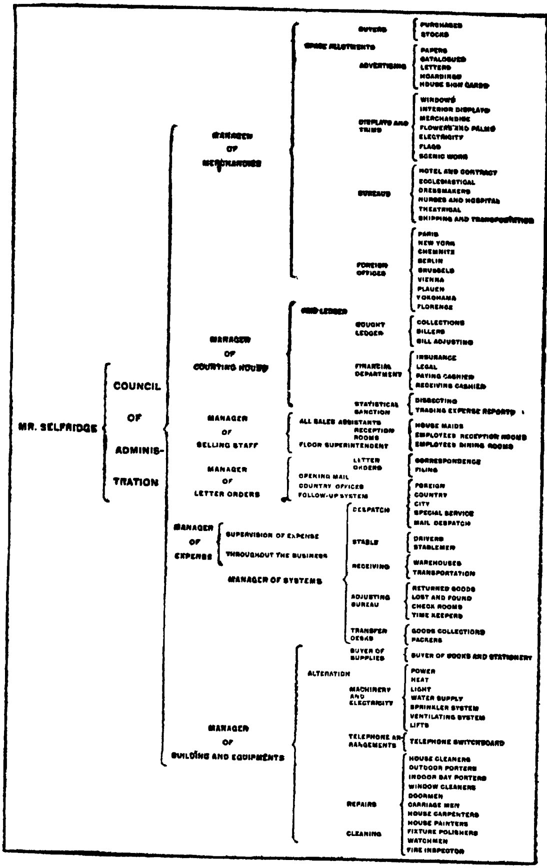


FIGURE X: On the opening day this business was completely organized. The chart shows how Mr. Selfridge keeps in direct touch with his organization through the seven administrative officers

white man. If he fool Indian twice, shame on Indian."

The policy determined, the next step was to build a home for the business. And here, too, aside from the modern type of construction and the speed records broken in building, the constant end in view was service to the customer. Here is a building which covers nearly the entire area of a city block, facing on three streets. Its five stories rise to the limit of height allowed by the London County Council. Down three more stories it extends to a lofty basement under the whole building; to a second basement for warehousing under half the area; and to the power plant and machinery rooms still lower in the third basement.

The plans once determined and the ground leases of the site secured, the work of construction was done in record time. In a little less than a year the building was ready for occupancy.

EFFECTIVE *organization has made possible the development of "the Selfridge idea" into the great London concern which it has now succeeded in becoming.*

In the meantime the plan of organization was being determined and its personnel gathered. The first step was departmentalization.

On the wall of Mr. Selfridge's office hangs a chart. It resembles the pedigree of a gigantic family. It is labelled "Chart of Organization." Mr. Selfridge says: "It stands for system. It represents a big retail emporium scientized—a word as yet in no dictionary."

At the head of the organization is Mr. Selfridge, the managing director. Under him the business is divided into seven departments with seven managers—manager of merchandising, manager of the accounting staff, manager of the selling staff, manager of expense, manager of

mail orders, manager of systems, manager of building and equipment. The endeavor in this organization chart is to make system play its vital part in the management of the entire business; to miss the placing of no detail; to leave nothing just to happen, and to concentrate all responsibility.

From these seven department managers descend the various sub-departments with their heads and their assistants, to the lowest rank. The accompanying chart shows how the various activities and the minutest details of the business group themselves under the proper heads. Departmental responsibility is absolute. Every detail in each of the seven departments is handled exclusively through the manager in charge. Any suggestions or instructions relating to any of these departments that may emanate from Mr. Selfridge are given to the manager of the department. In this way each head is made to feel his responsibility for his work.

And in planning this organization Mr. Selfridge has placed "men" first. He has spent more time and thought on getting the right men for the right jobs than on any other detail of his business.

"The most difficult branch of the art of selecting men," he says, "is to find a man for a new position. Chance sometimes helps here—as when I first hit upon the idea of having a manager of expense and was seeking my pioneer economist. One day, passing through a workroom, my eye lit upon a home-made set of pigeonholes. It transpired that one of the assistants, who was responsible for selling clippings of cloth to the ragman, had devised the pigeon-holes as a means of sorting clippings according to their values—in order to gain higher prices. The idea was his own, and had been carried out on his own initiative.

"From the moment that I discovered this, the new post of manager of expense was filled. Economies began forthwith. Dropped pins were picked up, and in one department alone this resulted in a monthly saving of seventy shillings. String was no longer wasted in the wrapping department, and the monthly string bill was reduced by half. In three months the manager of expense saved the firm hundreds of pounds."

Buying the merchandise was a simple problem. The policy of the store determined and the personnel of the organization gathered together, it became simply a matter of the same routine that a retail buyer goes through every day, except that every department man had at this one time to purchase every line and every article in his stock, and he had to see that they were delivered at approximately the same time. The advertising campaign hinged upon the day-to-day developments.

"The culminating point in the planning of this huge organization," said Mr. Selfridge, "was the time when the doors were thrown open to the public—when life was breathed into the dormant organization—when the public was invited to enter into possession of the building that had been erected for its benefit. We wanted the public to realize that this magnificent building is theirs—not the merchandise, of course, though that can be theirs by purchase—but the facilities and the service it represents. That was the climax of the great game."

THE *leader who can imbue an army of workers with a spirit of earnest fidelity to duty, an unanswering desire to do the necessary thing, and to do it always with animation, kindness, courtesy and good cheer, is entitled to rank with the large men of earth.*

—James Logan

Chairman, Executive Board, United States Envelope Company

ZALMON G. SIMMONS

(CONTRIBUTOR OF CHAPTER XI, "SIXTY YEARS IN THE MARKET PLACE.")

First as a merchant, Mr. Simmons showed that determination and clean enthusiasm, backed by ability, count heavily for success. With fourteen months' training and two hundred dollars in cash, he bought a fourteen thousand dollar store on credit and paid for it from the profits.

Then he carried his high standards and "never say die" resolution into other activities. He rescued from hopeless bankruptcy the railroad to which the fortunes of his town were bound; he covered the Northwest with a web of telegraph wires—twenty thousand miles in all—developing a four million dollar property from an investment of five hundred dollars. For thirty-eight years he was a bank president. And he built—a business man's daring flight into the spectacular—the remarkable cog railway up Pike's Peak. Last of all, he founded a prosperous manufacturing firm.

His flash of inspiration, given life by his determination, in 1856, first fused the railroad and the telegraph and opened to both the way to their present tremendous expansion. The telegraph had been invented two decades, but was still generally unprofitable. He made it pay, and transportation, trade and industry began a new epoch in America.

In his chapter, Mr. Simmons points the why back of his success, and in the telling not only weaves a remarkable story of the country's development, but, perhaps unconsciously, shows you the dependency of success in management on the intangible qualities of strong determination and enthusiastic resolution. As a boy Simmons was sent to collect a bill. The debtor offered him a valuable, but untamed, cow in payment, on condition that it be taken into market. The future manager of millions drove that cow, which the debtor thought he could not master, about a field until it was too exhausted to break for its shed—it took hours, far on into the night—yet the beast did go to market. So steady, purposeful resolution was constantly woven into all his plans as a business builder.

XI

SIXTY YEARS IN THE MARKET PLACE

By Zalmon G. Simmons
Founder, Simmons Manufacturing Company

LUCK has been a partner in my enterprises, friends have often told me. Casting back over my sixty years in business, it is not hard to understand their conclusion. Opportunity has beckoned me into several fields not very closely related; despite the general belief that a merchant or manufacturer does well to stick to his special activity, a measure of success has attended me in each. My own idea is that this luck has really been persistence, coupled with a fairly active mind and a habit of analysis. Whatever struck me as offering a chance, I looked into carefully. Whatever I undertook, I carried to completion.

Business appealed to me early. As a boy and young man I farmed and taught school in pioneer Wisconsin—my time and labor, as was then the custom, belonging to my father during my minority. The very day I came of age, however, I went to work as clerk in a Kenosha store and began to study buying and selling as other young fellows read law or medicine.

Seth Doane was my first and only employer. We had talked over my desire to get into business several times and he had promised to give me a job when I was my own man. Naturally, wages had not been mentioned. And when I claimed a place on my twenty-first birth-

day and asked two hundred dollars a year, Mr. Doane expressed surprise.

"See that clerk in there?" We were on the front porch; he pointed to a young man arranging stock inside. "I pay him twelve dollars a month, and he's a good clerk. How does that strike you?"

"I guess you pay him what he is worth," I answered. I wanted to work for Mr. Doane, but I felt that I could earn two hundred dollars a year and I stood out for that figure. My tenacity won a conditional victory. Mr. Doane agreed to put off the question of pay for three months. If I could show that I was worth two hundred dollars a year I was to get it.

I got it and I believe I earned it. Eight months after I entered his employ, Mr. Doane fell ill and unloaded practically all his duties on me. For six months I was his manager, running the business, reporting to him daily, having his advice on every knotty point, checking up my own ideas on buying, selling and the like against his experience.

WITH *a capital of only two hundred dollars, Mr. Simmons made his first personal venture—principles of service and merchandising that made him successful.*

Then, believing that he could not recover, he offered to sell me the store. It was worth the fourteen thousand dollars he asked: while my savings were exactly two hundred dollars. Mr. Doane proposed to take my notes for the purchase price, with interest at twelve per cent. It was an unusual chance, a short cut to an established business, but the risk was enormous. Had I learned enough, in my brief period of training, to conduct such a big store, with virtually no capital to safeguard me against mistakes and with heavy payments due

yearly on interest and principal? Balancing the opportunity against the danger, I decided that I could handle the thing and signed the notes.

When I began selling dry goods and groceries in Kenosha, the code of the horse trader extended to all sorts of transactions. The general attitude was indicated by the phrase so often applied to the successful individual—"a shrewd business man." If he could keep clear of legal tangles, the morality of his actions was not seriously questioned. There were many and shining exceptions, of course; men in every community whose integrity was invincible and whose example helped to put trading on a higher plane. Men, too, like Cyrus McCormick, whose faith in their fellows was to be expressed in credits running into millions of dollars to obscure buyers of reapers. They demonstrated to every one the cash value of a good name, and by vigorous collections the difficulty of escaping settlements.

I discovered, during my first year with Mr. Doane, that collections presented one of the dealer's most serious problems. It was easy to sell seasonable goods if you were willing to extend credit; it was hard to draw the line between the honest man whose lack of prudence and foresight would lead him to buy more than he could pay for and the morally irresponsible who would carry off everything he could secure on any terms but cash. The first man simply needed help in wise buying and opportune paying: the other man was a plague even when he paid cash. Exhausting his harvest money in a few weeks, he went around abusing the storekeeper "who took his money when he had it, but let him starve when he was strapped."

One of the Kenosha hotelkeepers belonged to the honest optimist class. Mr. Doane in going over his books

drew my attention to this man's account and asked me to try to collect it. The amount was nearly two hundred dollars. Mr. Doane had exhausted his own resources without securing any result.

I made out a bill and called on Mr. R—— the next morning, when he was sure to be disengaged. He greeted me affably, and was not a bit taken aback when I presented my memorandum of the debt.

"That's all right, Mr. Simmons," he declared, "Tell Mr. Doane I'm going to pay him just as soon as I get the money."

"Mr. Doane knows that," I assured him. I had decided that only untiring patience would serve my purpose. "He doesn't want you to pay one cent before you're able and ready to settle. But he has turned this part of the business over to me and I want you to let me come up to see you now and then. Not to hurry you, understand; just to be on the spot when you want to pay something on the account."

R—— laughed.

"Come as often as you like," he said. "I'll be glad to see you."

That permission was my first object. Next day I returned; again the second day; and then daily for a couple of weeks, I stopped in at the hotel and had a little chat with my delinquent. I tried to be agreeable and made no mention of the bill except just as I was leaving each time. This amused my man at first, but the hotel was something of a lounging place and folk began to notice the regularity of my calls—probably commented on them. Finally R—— lost his urbanity and asked me point blank what I meant and how long I intended to call on him.

This, too, I had counted on. I reminded him of his

invitation and told him that I would continue to present myself every day until he paid up. I was deferential but firm. He had no excuse for anger: but then and thereafter it was evident that my visits wore on his nerves.

The comedy lasted about two months. He brought things to a focus one day by asking: "You're going to keep on coming here until I pay that bill?"

I answered yes.

"How long do you expect to live?"

I had fair expectations of life, I explained. At least I hoped to live long enough to find him with some money he could spare.

He frowned, but surrendered. He paid me ten dollars and I credited it on the bill. Next day I returned. He didn't relish my appearance so soon, but I was friendly and he contained himself. Within a week he made a second payment: then as rapidly as he could get the money he cleared off the debt. That was my first organized "follow-up." Its outcome confirmed my faith in persistence and good temper as the readiest weapons in the business armory.

LOOKING *back over a stormy period in American business history, Mr. Simmons concludes that optimism is the only possible outlook for the future.*

Optimism is the only outlook possible to a man who has spent sixty years in American business. Our remarkable development in transportation, trade and industry has been accomplished in spite of real difficulties. It is significant—and prophetic, I think, of yet greater advances—that this development has been attended by revolutionary betterments in methods and processes, by remarkable economies in materials, labor, energy and

capital. Likewise, that no emergency or disaster has found the business men of the whole country or of any community unable to cope with it; unable to improvise a remedy and in time work out a permanent cure.

We have made mistakes, it is true. We have moved too fast at times. We have had many men who broke into new fields and lost their bearings, so far as safety for their ventures or justice to their fellows were concerned. We have had panics and periods of depression. But I have learned, from observation and experience, that panics are not unmixed evils. From each of them we learn something that helps us to carry on our affairs more cheaply or more securely in the years that follow. The price is high, but the knowledge is worth buying; we learn more in a year of restricted sales and profits about the essentials of our undertakings than twenty prosperous years would teach us.

The man, the house or the community that has weathered one panic works on a safer basis ever afterwards. In fact, I am not sure that we do not need occasional panics to test the fabric of our trade and industry and apply brakes at intervals to our initiative and energy. American men are producers—men of action. They begin earlier than the men of any other nation; they work harder and faster: they hang on longer and by force of courage and energy they get results. Their fault is ambition—the desire to grow—impatience with the thing they have accomplished. They want expansion —greater volume. They are bound to get it, too. They are fortunate if a period of stringency comes along before they have outgrown their capital, the ability of their organizations or their natural markets, to enforce the lesson of safe building and balance in their ventures.

American business has never failed to adapt itself to

conditions and even generate new power from handicaps. Take our currency, for example. In my store-keeping days even a cash business was attended by annoyance and serious risks.

Every one seems agreed that our present currency system needs reforming. Comparing present conditions, however, with those I recall in "wild cat" and "stump tail" times and in the chaotic era which preceded them, the disadvantages under which trade labored then seem appalling. When you have to exchange commodities for bank notes or scrip which may suffer a big decline in value before you can pass them along to some one else, the whole fabric of trade and industry rests upon a shaky foundation.

George B. Smith, Chicago's first banker and the creator of honest money and business standards in the West, helped us out of our first slough of "wild cat" money, personal scrip and due bills, with his issue of bank and insurance notes always worth their face value. These formed the one stable element in our circulation until state laws allowed the chartering of banks and the issue of notes secured by state bonds.

Even the lack of sound money, however, has not compelled a halt. I happened to be in New York when the fall of Fort Sumter began the Civil War. I had a draft for one thousand five hundred dollars on the bank at Rahway, New Jersey. I knew the president, Mr. Price, very well and on my way home I stopped to get the money. I asked for notes on his bank, as I had confidence in him and it. To my surprise he refused. "I can't give you bills," he explained. "I have been calling in all my bank notes until I can see what effect this war is going to have, and I shall not issue any until I know. All I have is gold and silver."

Now, one thousand five hundred dollars in silver struck me as too big a load. I objected. We compromised finally: he gave me seven hundred and fifty dollars in gold and fifteen hundred new half dollars.

That was the last real money I saw for seventeen years. The government suspended specie payments December 30, 1861. Immediately the gold and silver in the country disappeared as completely as if it had been sunk in mid-ocean. For a while we had no medium of exchange except the "stump tail" currency of the state banks and due bills issued by individuals and firms. Then came the flood of greenbacks from the government presses: shipped out in big packing cases like so much calico.

The national bank act hurried in a new era, but one still fraught with danger to business. Values were based on gold, a commodity constantly fluctuating in price. The circulating medium—though bank notes secured by government bonds or directly by the country's credit—rose and fell in purchasing power in inverse ratio to the rise or fall in the price of gold. This introduced into even the smallest retail business as well as the greatest undertaking a speculative element which operated against stability and efficiency and made expansion dangerous. Until the resumption of specie payments in 1879 there was no escape from this speculative condition: the best a business man could do was to discount its perils and keep his margin of safety large enough to meet the morrow's chances. Looking backward, indeed, the fact impresses itself that our currency system has always limped far in the rear of our business development. Then the fault was lack of stability. And when stability had been secured by a slow, costly and painful process of evolution, lack of elasticity developed.

Charles Sholes, brother of the typewriter inventor,

was one of my customers. He owned half of the stock of the Wisconsin State Telegraph Company, then operating a line between Milwaukee and Madison. In common with other telegraph lines in the west, it was losing money and Mr. Sholes was trying to get rid of it. He had promised to settle his bill at the store when he closed the sale of his stock. The deal falling through, he asked for further time, explaining his difficulty. Yielding to the fascination the telegraph had always exerted over me, I offered to buy his stock.

WHEN *every one else was scoffing at the telegraph, this business man looked into the future and founded a fortune on what he was able to see there.*

So important a means of communication, it seemed to me, must be susceptible of development and management on a paying basis. Mr. Sholes accepted my offer and transferred his interest to me for five hundred dollars, only a fraction of the cost of construction. My bargain, I soon discovered, was a white elephant. Not enough messages were sent to pay operating expenses: business men had not yet learned to use the lines. My task was to cut expenditures squarely in two or find some new use for my wires and operators.

Revolving my dilemma, it struck me that the railroads ought to employ my service in handling their traffic. The telegraph would enable headquarters to keep in touch with trains out along the line, to give conductors running orders, to meet emergencies, to frame up a schedule much faster than the current, go-it-blind method allowed. I carried the idea to E. H. Goodrich. the president and manager of the road from Milwaukee to Prairie du Chien. He derided it.

"Preposterous," he said. "The idea of trusting a

railroad train to telegraphic orders! I'd be sent to an asylum if I attempted a thing like that."

I hung on, however. The scheme was so safe and simple; it met the needs of the railroad and my own necessity to reduce expenses so exactly that I was sure it would succeed. In the end Goodrich capitulated and agreed to try the plan on one hundred miles of his road between Milwaukee and Portage. Literally, it proved itself in a day. Goodrich gave me no peace until I carried my wires to Prairie du Chien.

"We've got to have the telegraph," he declared. "Between here and Portage, it's daylight and safety. Beyond Portage it's midnight until the train returns and reports itself safe."

That was the beginning of a quarter century given chiefly to the extension of the telegraph. I sold the store to my brother, my construction work leaving no time to give it the personal attention which, I had learned, was the basis of success in merchandising. With the railroads eager to cooperate, the opportunities in the telegraph were endless. Virtually our outlay ended with the establishing of the lines. The contracts gave us a free right of way and provided for all minor repairs by section gangs. The operators were paid by the railroads and we received all the money for commercial messages. When these reached twenty a day we agreed to start a company office. Later when our lines began to cover the whole northwest, the railroads were given franking privileges up to a certain amount each year, not only over our lines but those of other systems with which we had reciprocal agreements.

With one exception, marrying railroads and telegraphs was to be my sole business for many years. I borrowed money and strung wires wherever the iron rails led and

traffic promised. I organized the Northwestern Telegraph Company and effected a connection at Chicago with the Western Union, which Hiram Sibley and J. H. Wade of Cleveland had evolved from a tangle of wild cat lines in Ohio, Indiana and Michigan, rehabilitating the best of them. Pushing on to Minneapolis, I went thence to the coast along the Northern Pacific and up into Canada.

In all I built twenty thousand miles and managed the Northwestern for twenty-five years. But the value of my original idea—cooperation with the railroads—outweighed all my later service. It bridged the barren years when trade and industry were learning to utilize, but failing to support the new engine of communication. It freed the railroads from guesswork and initiated modern railroading.

It was not a march from success to success by any means. At one time the Minneapolis office, for instance, would have been closed but for a citizens' subscription to pay the operator's salary. But progress was fairly uniform. The important lines were built along railroads; the only exception being the line from Minneapolis to Winnipeg, then Ft. Geary, the stockaded trading post of the Hudson Bay Company. This I constructed along the old trail of the Red River carts through the woods and across the prairies. Even that was not a speculation, our contract with the H. B. C. guaranteeing us profits from the outset. When I retired from the Northwestern presidency to manage my manufacturing business at Kenosha, the Northwestern had one thousand eight hundred offices, three hundred of them supported by commercial messages, the others operated in conjunction with the railroads. My original investment of five hundred dollars had grown to be a

four million dollar property.

From telegraphs to railroads was only a step. I took it when the presidency of the Kenosha, Rockford and Rock Island was practically forced upon me. The road was bankrupt, its stock subscription exhausted, an issue of $500,000 bonds already made and no money left to buy the forty miles of railroad iron needed to connect up the two strips of track already built. A number of Kenosha men were interested in it: my recent success in the telegraph game inspired in them the hope that I could save their investment or at least finish the road. That was the main idea, to finish the road. The men who built it were more interested in the development of their country than in the prospective profits. I yielded to their arguments.

LIGHT *and dark hours in the varied career of a business man—Mr. Simmons finds that credit can make or break the business man's ambitions.*

To secure rails for that forty miles was the first task. With letters of introduction I went to Philadelphia, where I finally settled on two Quaker iron brokers as the men most likely to furnish me the iron. They couldn't see my proposition—a sale on long-time credit, with no money down—but they asked me to dinner and we learned to like one another. They gave me no encouragement, but I hung on for two weeks. Finally they capitulated. They would supply my iron on two conditions. First, they stipulated that I should personally indorse the road's notes given in payment; second, that I should stick to the road until the debt was satisfied. The conditions were strenuous; they required me to assume the whole thing as a personal obligation. But no other course was open: I consented.

The war began before the last spikes were driven in July, 1861 By a coincidence, our first trains were run to a stockholders' meeting at Harvard, midway between the terminals, on the day Bull Run was fought. Four hundred stockholders were present, but the shadow of *the Union defeat* was on the meeting, Mr. Sholes having telegraphed the news to me from Kenosha. When the proposal to assess the stockholders $250,000 to supply equipment and start operations was put to vote, only one ballot was cast for it—and that was mine. We had a railroad, but no rolling stock, and no one wanted to buy any. Finally they voted to turn the road over to me bodily and begged me to equip and start it.

That was my dark hour. I was bankrupt, though no one knew it. I owed $150,000. Because of my obligations I had not answered President Lincoln's first call for volunteers. Now I knew I could never answer the call, except in dishonor. I rode back to Kenosha, seated on a keg on one of our flat cars, as near despair as I have ever been. That night I did not sleep; the one possible solution of my dilemma was so unreasonable.

The only recourse was an appeal to our bondholders to allow a prior lien to cover the equipment. The majority of the bondholders lived in Newark; thither I went to try to persuade them. They refused. I repeated tactics which had won at Philadelphia, but this was a harder, a more desperate fight. In the end, my persistence won. My absolute control of the road no doubt helped to persuade them to my aid. They voted the prior lien; $200,000 in bonds were sold, the road equipped and operation begun.

Like most new roads, however, earnings were slow to increase. I paid the Quaker's notes as they matured, out of my telegraph profits. It cost me $100,000 cash to

protect my credit in this railroad venture. I had learned, however, that credit was a more valuable asset than capital, and I paid the price without regret.

Credit is a business tool we have not all learned to use yet. Here is its drawback: the tax trade and industry pay every time we have a period of depression. We are only one generation away from the time when gold commanded an enormous premium and enriched those who had the craft to hoard it beforehand. The instinct of distrust is still strong in us, and the temptation to withdraw our money at the first hint of danger hardly to be resisted.

The consequence, of course, is a period of stringency, which lasts until the restoration of confidence—the return to the saner belief that money is worth no more than the things it will buy—groceries, furniture, real estate, bank credit. In time, I believe, we will outgrow even these temporary reversions to the outlook and the business code in force when credit, for the majority, meant a thing to be distrusted in the giving or abused in the receiving quite as often as to be used as a means of mutual profit and advantage. I believe that panics help more than they harm, working individual hardship but compelling business to go down to bed rock, to cut out the non-essentials, and to correct inefficient methods which hinder progress even in prosperous years.

Going back to those first years, it seems as if business had been born and had grown up under my eyes.

Time lost in traveling was only one of the transportation handicaps. Buying twice a year, the merchant of that time was called upon to gauge the probable needs of his patrons during a winter which might be long or short, mild or severe. On his forecast depended in large measure the fortunes of the season. Re-orders were out

of the question after navigation closed: to exhaust his stock in any staple line was as serious an error as to load up with goods which he could not move in time to meet the notes given to his jobbers. Insufficient stock sacrificed profits and sent regular customers elsewhere: too generous purchases left him at the season's close with most of his capital locked up in stock to be carried over. The limitations this semi-annual buying put on the retailer were many and serious. He was forced to buy gross or half-gross lots of a single staple article, where now a dealer buys in dozens and lays in several related or contrasting lines. The investment was about the same, but the retailer today can stimulate sales by offering choice of many articles.

Yet I have observed not a few young storekeepers and many long established in business, who have not learned how to use the tremendous advantages modern transportation and trade conditions offer.

They buy the bulk of a season's supplies at one time when right use of their capital and prudent merchandising both ordain weekly or monthly orders. They have not learned the lesson that the busy dollar alone earns profits and that the development of transportation and communication makes necessary, as well as possible, the frequent turning of a retail stock.

EVERY *great business man had a beginning of his career sometime—usually a humble one. No man should admit even to himself that he has not the makings of a future captain of industry.*

—Harlow E. Bundy

General Manager, International Time Recorder Company

HARLOW N. HIGINBOTHAM

(CONTRIBUTOR OF CHAPTER XII)

When, toward the close of the last century, Marshall Field needed brains and money, junior partnerships in his company were offered to a remarkable group of young men. Mr. Field picked these partners with money as a secondary consideration, and measured only the value of the benefits they could bring to the business. Like Mr. Field, they had all started as clerks and demonstrated their ability.

Harlow N. Higinbotham was the first of the young men to come into a junior partnership. He was marked by Mr. Field as a man "possessing one of the most analytical minds I have ever met." Since Mr. Field was the merchant and others handled the financing, there gravitated toward Mr. Higinbotham the work of handling the credits. And in a new country and during the early days of a business, the making of credits is one of the most important functions of the house, for in it is bound the institution's entire attitude toward customers.

Mr. Higinbotham's early work crystallized principles which have since ruled the credit department of the house. He had two main objects: first, to make his credits safely; second, to develop the firm's customers and the country reached by the firm.

Marshall Field & Company, through its credit policy and attitude toward retailers, probably did more in the last century than any other commercial institution in the country to build up the West and develop business strength there. It started businesses; it "carried" men; it directly interested itself in counties, states and sections of the country.

While guiding this influence, Mr. Higinbotham looked into the hearts and measured the impulses of thousands of business men. The causes behind failures came to his attention time and again, until he could sort them into definite classes. This knowledge was the most valuable asset created by his remarkable experience. In the chapter which follows he has written it into a series of "stumbles", so that you, too, can analyze and answer the question: "how can men avoid failure?"

XII

MANAGEMENT BLUNDERS TO AVOID

By Harlow N. Higinbotham
President, The National Grocer Company
Former Credit Manager, Marshall Field and Company

JOHNSON was a responsible merchant in a Lake Superior town, and had been doing business with us for several years. One spring he made unusually heavy purchases of us. Business had been prosperous, the outlook was good. Before he left for home, I asked him how much insurance he carried.

"I carry three thousand dollars on my goods," he replied.

"That does not nearly cover your reduced stock as it now inventories," I warned him, "and you should at once take out enough new insurance to protect the stock you have just purchased."

This he promised to do, immediately he got home, but he failed to do it, through neglect and rush of work. The new goods arrived and were put on the shelves, and every day Johnson promised himself that he would attend to the insurance matter on the morrow. But he waited just a day too long; for one night the store caught fire, and in the morning Johnson found himself a ruined man.

He got his three thousand dollars of insurance money promptly; but our bill exceeded that amount, and if he paid us he would be without capital with which to begin business over again. He didn't "squeal." He did what

any honest man would have done—sent the money straight to us. There was no tear-shedding; just a manly, straightforward statement from him.

"*It was altogether my fault,*" he wrote, "*that the stock was not fully protected,* as it should have been. This insurance money is all I have, but it rightly belongs to you, and will almost cover your bills."

> HONESTY *deserves the sort of encouragement which kept for this firm, during perhaps a generation, a profitable account, because the credit man looked ahead.*

There was no hesitation in my reply. I returned the draft to him and wrote: "Take this money and put it in your bank. Get right to work and buy a new stock. I will pass your orders and will accept your notes in settlement of the entire account, arranging for payment on such time as will enable you to meet your obligations. Rent a new store, and see how quick you can open for business."

I sized Johnson up right. He not only paid us in full, but became one of our very best customers. Today he is the most proposerous merchant in his territory.

You might call that wilful neglect. But the best business men stumble; however, the wise learn from these trying experiences, and they don't stumble the next time—at least, not for the same reason. But they all trip, some time or other, and, if you knew the secret history of a business, you would find, in almost every case, that financial ruin at least once stared the man in the face.

Once a business is started in the right location amidst favorable surroundings, a great danger comes with the attempt to do more business than the capital will stand. Usually, this is referred to as "insufficient capital."

More often, it is not so much *lack* of capital as it is the folly of *going beyond* the capital. The merchant is unwilling to keep within his means, either in his business, or in his home—sometimes both. He has not the patience to wait until his customers force him to have more room. He adds unnecessary space, fills it with goods on credit, and reaches out for customers, seeking to drag them into his store and make them buy. This involves frantic advertising, and a splurge generally. All the while he is getting more and more into debt, and his end is not far to see.

I knew a merchant who enlarged his quarters and doubled up his stock simply because he was afraid a competitor might have a bigger store, with a larger assortment of goods to select from. His business didn't justify the expansion. He was doing well before he made the fatal blunder, but he couldn't bear to see a rival get ahead of him.

"I'm going to beat out Jones," he boasted to his friends; "he's making a great front, but I intend to go him one better. I don't propose to play second fiddle to anybody." So he stretched his credit, encountered prohibitive expenses, and, unable to meet his bills, quickly collapsed. He had failed to see the danger signal. Rivalry spelt ruin.

Another merchant unwisely branched out, not to keep pace with a competitor, but to steal a march on his rival. "I'm going to leave that fellow so far in the rear that he'll never catch up with me," he insisted. "When he wakes up I'll have this whole town corralled." It was the boaster who woke up—a rude awakening, for he found himself clerking in another man's store, his business gone and his capital dissipated.

Looking on the bright side, I know a third merchant

who faced the same temptation and faced it many times, but steadfastly refused to go heavily into debt. He let his competitors go along as they pleased, minding his own business, contenting himself with the care of the trade which he had, and getting as much more business as he could without overreaching his capital. After a while his store began to be crowded, and every day the crowd grew. He hired more clerks, and filled his shelves as full as he could, but still the people flocked to him. Finally, his quarters became hopelessly insufficient, and then, but not till then, did he rent more space. Afterward, he added to his store accommodations at frequent intervals.

EXPANSION *demands a foundation not unlike the forest of earth-covered pillars on which the modern building stands—every support must be absolutely sound.*

Necessity—and that alone—is the sole excuse for expansion. When a man's store is overcrowded, and customers are clamoring for more goods than can be sold conveniently, or for a greater variety than the store affords, then is the time to grow. All the great establishments have grown that way. If you study their evolution, you will find that they added to their quarters only after the stores were badly crowded, both behind the counters and in front of them. The managers knew that they could sell the new goods before they bought them; or before they signed a new lease, and contracted for additional expense.

Unwarranted expansion is a more dangerous policy to a manufacturing or producing concern than to a mercantile house. With the former, every dollar of increased business means, not merely the carrying of the equivalent in added stock, but more factory space, more

machinery, more raw materials at hand, an augmented sales force, additional administrative officers—with all the increased expenses which accompany this expansion. "Spreading out too thin," is the way a banker expresses it. The banker will tell you, to use the homely figure, that a business is like a piece of bread and capital the butter spread upon it. With a fixed amount of butter, the bigger your bread slice, the thinner your spreading. And when the owner of the business—the man with the piece of bread, to carry out the figure—stumbles or falls, losing his grip on his prized possession, then the banker, to whom he has gone for assistance, may say rather cynically:

"When you drop your bread, you know it always falls on the buttered side."

Three men started a furniture factory. One was a manufacturer, one had a knowledge of sound finance and good management, the third was a salesman. Their business was restricted, at the outset, to the manufacture of a certain specialty—a small patented accessory. The size of their factory was entirely warranted by their capital, and their capital further permitted them to do a moderate business with the dealer.

TWO *of the partners wanted to expand; they overruled the financial man; they tied up the ready money—hard times followed unexpectedly, bringing failure.*

They prospered. Once the business was in full swing, their books showed a real profit, month after month. Business seemed to come so easily, two of the partners began to advocate an extension to the manufacture of kindred lines. They argued that their small patented accessory had already made the concern a name. And they insisted that, with this reputation, they could make

their name a hall-mark for other lines of furniture. This was some years ago in the times of growing prosperity in all businesses.

The financial man of the firm, whose task it was to pay for the raw material, meet the pay roll and all incidental expenses, and make the outlay balance with the income, was not in favor of the change of policy. The financial man was overruled two to one by the manufacturer and the salesman. The expansion was determined upon. The ready money of the concern went into the building of an addition to the plant. New lines of manufactured goods meant bigger sales, of course, but this entailed greater credits outstanding. To carry these credits the financial man had to go to the bank for more money and he got it because times were good. A larger factory and office organization was necessary to carry on the expanded business, and expenses increased in every department. More and more the financial man had to scheme and turn and twist to meet the firm's current obligations.

Sometimes—but only in very prosperous times—a business is lucky. The owners who overstep the rules do not suffer the consequences. Every condition turns out favorably. But such good fortune does not come in the lean years. In the case I am citing, when money began to tighten in the year 1907, adverse conditions were encountered, and instead of having several years in which to pull out from under their unwarrantedly heavy load, the partners, within a few months after the expansion was inaugurated, faced the situation of having their loans called by the bank and all outside financial support withdrawn from them. Thus, they were thrown entirely upon their own resources to provide a greater capital needed to swing the bigger business. I need not

add that the concern went under.

Let us illustrate: Suppose a man has the stone to construct a building one hundred by one hundred, and sink the foundation so deep that no winds, no floods from abnormal rains, and no undermining from an adjacent new building of the skyscraper type or from a subway in the street could possibly harm the foundation. If he were to build according to this plan, his building would be secure—built upon a rock.

> BUILDING *upon sand results in disaster eleven times out of a dozen—avoid risks by carefully considering all the contingencies which may face your proposition.*

But, knowing he could rent a building with twice the floor space, suppose he is unwise enough to argue: "Of course, I haven't stone to put into a heavier foundation, but then there may not be a hurricane for five years; we may have no torrents of rain, and why not trust to luck that there will be no neighboring skycraper or subway. I'll take the chance. I'll construct my foundation only half as deep as I would if I had the necessary stone. And then I will rebuild the whole structure when I have put by enough money from the big rentals I am sure to get." Unwise is this man. If conditions, happily, proved altogether favorable, his building would stand, but if any one of four or five contingencies occur his building will come down--because it is built upon the sand.

Men should be tried out in the business, if possible, before they are given a partnership. Marshall Field had a policy of taking partners from his organization, but he never associated a man in the enterprise until he had been tested to a certainty. First, Mr. Field would study the man for a considerable period; then, if he con-

sidered him worthy, he would allow him, for a time, a percentage on the profits of his department, in addition to his salary; finally, if the man showed that this incentive moved him to the proper effort, Mr. Field would take him into the business.

Ordinarily, the way this was done was to charge him with the value of a certain interest or capital, and each year charge him with interest on this capital. Then, after drawing an agreed salary, (enough for his personal and household expenses) he was credited with the remainder of the earnings on his *pro rata* interest in the house. In time, the new partner's interest in the business was entirely paid for in this way. The harder the man worked, you see, the faster the debt was wiped out. There were always these steps in acquiring a partnership in the house of Field's, and there was never any danger, by this process, of getting the wrong partner.

It is a significant fact that Mr. Field never took a partner outside his organization. He permitted his men to invest their own money in the business, if they saw fit—to pay for the interest he had sold them, in whole or in part—but he did not want any outside capital to come in. He desired to know his partners absolutely. Even when he started in business for himself, his associates were men who had been in the same organization with which he was connected, and he knew them thoroughly.

I have observed that a great many men take partners on a plan radically different from this. Often, they take men from outside their organizations because of the need of additional capital: there are times, no doubt, when this cannot well be avoided. In doing so, however, business men have no opportunity to study their prospective associates with the critical method employed by

Mr. Field. I believe it is dangerous to follow any other plan than the one I have outlined.

One danger point in particular I would emphasize. It gets down to the very core of business principles. I refer to the attempt, too often made and frequently consummated, to sell goods to customers who will not benefit through the purchase. "Caveat emptor" —"let the buyer beware"—is not a part of wise merchandizing. Yet I have known a great number of business men whose chief idea was to sell, and if the purchaser did not get what was best for him, why that was his lookout. Traveling salesmen commonly fall into this great error; but the house itself should guard against it in every way, and train its salesmen to study the wants and needs of customers. To overload a customer, or to sell him the wrong goods, is unpardonable, and will surely bring a disastrous reaction. It is a serious, very serious, danger point when a house reaches the time where the mere making of the sale supplants the principle of actual service. No matter how valuable the goods may be of themselves, the transaction can only injure the seller if the commodity is unsuited to the needs of the customer.

BENEFIT *to the customer is the only object you should strive for—a satisfied customer and a fair profit go together and are never separated for long.*

I know of a recent case where a husband bought his wife a coat, paying one of the large department stores of Chicago three hundred dollars for the garment. It was a beautiful coat, well worth the money, but when the lady received it she was greatly dissatisfied. It was not what she herself would have selected, and she attempted to return it, and exchange the garment.

But the store had been specially anxious to dispose of

this particular coat, for it was not an article readily sold. Then, too, the season was well advanced—it was after the holidays—and the coat was a fur garment. To carry it over meant, probably, to lose it. So the lady was informed that her husband's unfortunate purchase could not be exchanged or returned.

During the succeeding days this dissatisfied customer told her story to her many friends, every one of whom sympathized with her and was made unhappy by her experience. She did not want that coat, she insisted; it was entirely unsuited to her taste and ideas. Everywhere she went she talked about the garment, and a shadow was cast upon the house which had sold it to her husband. The matter came to my attention, and although I had no interest, save a friendly one, in the circumstance, my training and experience rebelled against such a short-sighted policy as the store had shown. And I sat down and wrote to the house, in part, as follows:

"You might better take the coat and burn it, rather than force it on a customer whom it will not benefit." My suggestion prevailed, and the coat was taken back.

This principle holds true throughout all merchandizing.

MISFITS *are to be pitied, in business and out of it—the more so because usually their plight could have been prevented by observing these simple precautions.*

I recall one instance where a merchant selected the wrong location—a very common mistake, yet one of the easiest to see in advance. If his credit man could see the error of judgment—and he did—why not the merchant? This is almost the first danger that confronts a man starting in business, and he faces it afterward, whenever

he seeks a new location. Because men do not analyze the proposition, they blunder.

In selecting a site or a town, the first consideration is markets. Some men do not weigh even this factor properly. Others take the market element into account, but go no further. For this reason they become misfits.

A man establishes himself amongst a race antagonistic to his own. He fails because he is a misfit.

Another man fails because he attempts to do business with a people whose religion differs radically from his own—a misfit.

A merchant, brought up in a certain environment, moves to a town where market requirements are decidedly different. It is almost a foregone conclusion that this misfit will not succeed. To him the reasons for his failure may appear trivial indeed—temperamental reasons, merely—but the attitude of the buying public is affected by subtle considerations.

WHEN *order has supplanted careless, wasteful methods, and selling prices contain only a fair charge for materials, labor and expense, the public can not deny those who render this service proper compensation without injury to itself.*

—E. W. McCullough

Secretary and General Manager,
National Implement and Vehicle Association

HOW TO USE THE LIBRARY

"PRACTICAL" is the first word in the vocabulary of the American business man. He holds that management is learned by managing and that the way to know stock-keeping is to keep stock. He is not greatly concerned with theories, but is quick to listen to any man who has been "through the mill."

But The Library of Business Practice is neither theoretical nor impractical. It is a working selection of what is most vital in the experience of seasoned men and successful concerns.

Hundreds of books have been written describing picturesque aspects and the routine of industry and trade. Other works have shown psychological and economic principles that lie behind selling, price-making and finance. A scientific discussion of business may sometime appear, which shall lay down more or less definite formulas for production, distribution and administration. All these books have their audiences and value.

The Library of Business Practice belongs, however, to a widely different class. It is a compilation of experiences and methods gathered wherever a manager has worked out a better way to do business in corner store or country-wide corporation.

Half a business generation ago, the publishers of SYSTEM recognized the loss which progress sustains, in that the experience of skilled manufacturers and merchants so often dies with them. The two-fold editorial

organization, SYSTEM and FACTORY, has in the interval accumulated an unparalleled fund of specific business knowledge, from which the present volumes are made up. Every chapter, therefore, represents the rejection of a dozen or more and is, all things considered, the most widely useful treatment of its subject the organization has ever found in the field of business. The matter has been closely re-edited and rounded out with much new material from men now in the business eye.

These specific experiences drawn from all kinds of business and all departments of a business have a bearing on almost every problem a business man encounters. To facilitate quick reference and intelligent subject reading throughout, however, conveniences of arrangement, analysis and indexing are essential. These have carefully been provided.

The order of the ten volumes with their contents pages presents a vital analysis of business from policy and organization down to cost control. This analysis the index rounds out in detail.

The index of headings that run flush at the left-hand side of the column is alphabetical throughout. To find any business point or method, therefore, think of the natural key word, and run your finger down the left-hand edge of the column to your reference. If you are looking for a list of ways to charge Overhead expense, turn to O, run your finger down the column and follow out this reference to volume X, page 95:

Overhead (See also COSTS)
—eight standard ways to
charge X-95

Under this same alphabet order, the names of authors are printed in small capitals *in red*, so that if you are looking for Mr. H. P. Davison's editorial or Mr. W. C.

Holman's chapter on "Keeping Retail Trade at Home," you have merely to refer under D. or H. to page 166 or 173, where you will find your reference in this style:

WANAMAKER, JOHN
—editorial, "My Measure of Success" I-7

Progressive manufacturers, jobbers, bankers, credit men and advertising or sales managers wish to study out their points of contact with the business houses which they regard as customers. Various lines of business, therefore, appear as large headings in black type. If you wholesale to druggists, for instance, you will find many points of contact in these references on page 168:

DRUGGIST
—advertising methods VI-74, 121, 153, 192
—finding the point of contact in letters to customers VII-33-34
—novelties, using to win the trade of housewives VI-74
—selling methods IV-73; V-65, 103, 121
—services, selling by mail VII-115
—use of house organ by VI-99
—window display, successfully used by VI-153-154
See also ADVERTISING; BUYING; SELLING.

The twenty-four "function" headings, analytically developed, are an innovation in works on business which extraordinarily equips the Library not only for ready reference, but as a reading course for the progressive employer and the ambitious employee. The complete list of function headings follows:

ACCOUNTING 657
ADVERTISING 659
BANKING 332.1
BUYING 658.4
COLLECTIONS 332.13
COMPLAINTS 658.57.
COPY IN ADVERTISING 659.12.
CORRESPONDENCE 658.5
COSTS 657.8.
CREDIT 332.7
CUSTOMERS 658.69.
FINANCE 336
LAW 340.
EMPLOYING AND TRAINING HELP 331.86
MANAGEMENT 658
MANUFACTURING 658.12
OFFICE MANAGEMENT 651
ORGANIZATION 658.1
RETAILING 658.8.
SCIENTIFIC MANAGEMENT 658.121
SELLING 658.6
SHIPPING 656.5.
STOCKKEEPING, 657.93.
WHOLESALING 658.7.

All "function" heads are printed in large capitals *in red.* A number follows each such heading; this is

the library cataloging number under which, in the business library of A. W. Shaw Company, all printed matter on this subject has long been classified, decimals being used for classification in much greater detail. This arrangement having already been given out to be incorporated in America's most widely used library numbering system, the basic numbers are included here as an added convenience and further to standardize business indexing in public libraries. On page 190 of this index, for instance, appear five columns of references under the head, "SELLING 658.6": step to the section carrying this number in any standard indexed library—and you are among its works on selling.

Any of these functional headings with subheads logically arranged (items are alphabetical under each subhead) represents a conference of manufacturers, specialists, merchants of many kinds and various professional men on that subject. However different your business may be from others, selling ideas are bound to appear under this thorough analysis which will open up new fields, suggest new plans, stimulate new sales ideas. The first few items show the style:

SELLING 658.6
—POLICIES
—campaign, planning the IV-20, 173
—collection man, working with the VIII-101
—consignment, getting profit from IV-10
—cooperation in, how to get V-55
—discounts, when to give IV-175

This four-fold index, (1) by single items (in small black type), (2) by authors (in small red capitals), (3) by lines or trades (in large black capitals) and (4) by subjects or functions (in large red capitals), thus enables the eye instantly to find what you seek and makes every volume of the ten contribute to every day and every department of the business man's work.

INDEX

(Complete for the Ten Volumes)

Abbreviations, how to make in filing VII-194

Ability
- —how to encourage an executive's I-13
- —danger of duplication of in business I-14
- —as a basis for granting credit VIII-14
- —use of inborn IV-81

Absences, how to check on V-194

Acceptance of contract terms, when valid VII-160

Accidents, industrial, handling by mutual association III-179

ACCOUNTING 657

—ACCOUNTING DEPARTMENT
- —arrangement and floor plans IX-61, 63, 67
- —billing methods III-90; VIII-144; IX-42; X-81
- —centering at the manager's desk IX-69
- —credit department, getting information from VIII-18, 113, 133
- —disbursement checking methods IX-20
- —how to organize IX-19
- —report, making out the manager's IX-103
- —routing work in straight lines IX-62

—BOOKS AND ACCOUNTS
- —branch house daily report IX-128
- —cash entry methods V-183, 196, 200; IX-73, 76, 81, 99, 117, 143
- —cash "paid out check" IX-117
- —charge accounts, distributing VI-196; IX-88
- —charge sheet methods IX-135
- —check register, how to use IX-91
- —customer's ledger, different ways of keeping VIII-121, 138, 147; IX-96, 97
- —daily accounting report, how to draw up IX-104
- —depreciation, keeping a record of II-113, 131
- —discount ledger, how kept IX-141
- —distribution book, different methods of using II-87, 97, 115, 117, 132, 133
- —draft ledger, form for the bank's IX-139
- —financial entries, how to make IX-98
- —financial statements, rendering IX-17, 104, 107, 109
- —inventory reports, checking and correcting IX-106
- —invoice register, specimen sheet IX-73
- —invoice routing, for prompt handling IX-92
- —journal, entering accounts in V-199; IX-98, 117
- —journal, how to post from IX-132
- —large accounts, how to handle IX-88
- —ledger, focusing facts in V-185, 200; IX-73
- —"master book," summing up all accounts in IX-76
- —miscellaneous accounts, keeping track of IX-177
- —notes payable record, how to keep IX-99
- —profits and losses, how to figure IX-108, 120; X-190
- —purchase accounts, methods of handling VIII-73; IX-89, 131
- —purchase journal, handling entries in IX-91
- —remittance blank, specimen form IX-135
- —sales records, methods of keeping I-38, 39; III-20, 155; IV-25; V-149, 190, 193, 199; IX-95, 98, 125; X-188
- —sight draft, form giving advance notice of IX-181
- —trial balance, method of taking IX-104

—voucher ledger, method of using IX-87
—weekly summary, how to take off IX-137
—BOOKKEEPING
—closing a set of books IX-120
—corrections, how to make IX-101
—debit and credit entries, how to distinguish IX-72, 77
—entries, in what books to make from original to balance IX-79
—impersonal accounts, how to keep IX-81
—original entry, how to make IX-77
—principles that serve as guides IX-84
—single and double entry, comparison of IX-81-83
—where to enter items on the books (chart) IX-75
—CASHIER
—location of his desk IX-47, 61
—AUDITOR
—handling the day's work II-26; IX-21
—location of his desk IX-63
—CONTROLLER
—duties of, how to perform IX-20
—TREASURER
—place and functions in organization II-42
—COMPLETE SYSTEMS
—bank accounting IX-139
—branch store methods IX-123
—factory accounts, how kept II-11; IX-130
—farm accounts, how kept IX-147
—personal accounts, how kept IX-149
—printers' methods IX-70
—professional man's accounts, how to keep IX-148, 149
—retail records, method of keeping IX-113
—wholesale house, methods in VIII-113
See also COSTS
Accounts
—how a printer simplified his IX-71
—how to avoid uncertainty in new IV-35
—how to follow up new I-108
Accounts receivable
—judging the credit man by amount of VIII-29
—reporting for the manager II-56
Acknowledgments, value of prompt VII-170
Action
—how to make a letter get VII-17
—making easy for dealers in sales letters VII-93-94
—specimen advertisement urging immediate VI-19
Address
—how to arrange on stationery VII-50-52
—how to secure over the telephone IV-70
Addressing machines, how to make the most of VII-68
Advance letters to dealers, methods of helping salesmen by VII-149
Advancement of employees, how to treat I-48
ADVERTISING 659
—ESSENTIALS
—analysis as a business aid I-30; VI-13, 36, 172
—cost, judging value of by VI-83, 103
—demonstration, proving your point by VI-154
—form and motive chart, method of using VI-13, 18
—helping salesmen IV-148
—point of contact, how to make VI-10, 25, 31, 35, 40
—problems of advertising, how to analyze VI-15
—retail advertising, how the manufacturer encourages IV-12
—testing, methods of VI-26, 143, 175
—MEDIUMS
—advertising literature, how to use VI-116
—bulletin boards in the store, how to use VI-161
—follow-up letters, getting most from VI-178
—lettergram, winning attention with VI-169
—house organ, how to edit and develop IV-151; VI-97, 100, 101
—magazines, when to use VI-45, 51
—newspapers, when to use VI-54, 57, 63, 157, 178
—novelties, plans and methods of use IV-53, 55, 59; VI-65, 68, 70, 105
—outdoor advertising, making most of VI-76, 87, 181
—space you waste, putting it to work VI-90
—street car space, how to use VI-183
—window displays, designing successful I-104; IV-56, 74; V-118, 136; VI-156
—COPY
—advertising literature, planning VI-114, 125

—articles in use, specimen advertisements showing VI-147
—billboards, specimens of copy for VI-85
—booklet covers, examples to follow VI-28
—booklet title pages, conservative specimens of VI-27
—booklet, unique plan for VI-128
—color, right use of VI-122
—desires, specimen advertisements which awaken VI-20
—distinction, how to secure VI-30, 38, 56
—essentials, how to insure VI-46, 49, 55, 109, 159, 170
—guarantee, how to use successfully VI-39
—headlines, how to write VI-50
—house organ covers, examples to follow VI-86
—illustrations, vital points in the use of VI-54, 87, 121, 146, 159
—interest, tested methods of rousing VI-127
—layout sheet for booklet and catalog designing VI-141
—layout, standardized, for store advertisement VI-61
—local events, building advertising on IV-58
—luxuries, specimens that advertise attractively VI-123
—magazine advertisement, specimen of a multipage VI-19
—motive, finding and building copy on strongest buying VI-9, 13, 21, 118, 160
—outdoor, how to get up effective VI-84, 182
—public utility advertisements, planning VI-60
—quality of product, specimens that play up VI-59
—"reasons why," specimens showing VI-48
—simplicity in layout, specimens showing value of VI-124
—slogan, selection and use of VI-87
—street-car cards, effective specimens VI-80
—street-car cards, "Spearmint" specimens VI-79
—title page, how to design VI-129, 130
—timeliness in an advertisement VI-56, 177
—trade-mark, choosing and putting to work VI-182
—type, selecting the right VI-127
—type, when to use without illustrations VI-54
—waste space, how to use VI-94
—writing, rules and suggestions for VI-50

—DEALER
—how to advertise IV-40
—manufacturer and dealer co-operation, methods in IV-57; VI-57, 82, 202

—RECORDS
—advertising results, form for recording VI-147
—composing room instructions, method of handling VI-216
—contract records, how to keep VI-197, 198, 213, 214
—copy records, how to keep VI-197, 199, 215
—copy schedule VI-136
—cuts in stock, card showing VI-205
—daily advertising record, card on which to keep VI-146
—daily inquiry record, card on which to keep VI-145
—department advertising record, sheet showing VI-200
—dealer helps, record of distribution VI-203
—dealer's use of advertising, card on which salesman reports VI-206
—description of cuts, form on which to keep VI-211
—file record of cuts, form for keeping VI-209
—results, sheet on which to summarize VI-149
—sales record, how to test results by V-37; VI-147; IX-16

—CAMPAIGNS
—automobile manufacturer, methods of VI-115
—bakery, methods of advertising VI-38, 73, 95
—baking powder maker, conducting a campaign I-92
—bank customers, methods of winning V-25; VI-68, 94, 185
—Broadwood's pianos, methods of advertising VI-41
—building materials company, methods of VI-20
—Bull Durham sales, methods of securing VI-88
—cleaning company, featuring service in a VI-12, 163
—clothing manufacturer, methods of VI-72
—coal dealer's methods VI-72
—collection agency methods VI-68
—country storekeepers' advertising V-64
—dentist, how a booklet won customers for VI-166
—department store methods (Wm. Filene's Sons Company) VI-95

—department store, successful methods in VI-74, 153, 157, 191
—drug store plans V-121; VI-74, 153, 192
—farm implement dealer's methods VI-190
—grocer, planning campaigns for I-102; VI-90
—haberdashery methods (Frank M. Low Company) VI-159
—hardware dealer's methods V-64; VI-194
—hotel, featuring service in VI-165
—jeweler, getting on the customer's level VI-113
—laundry, advertising methods VI-164
—lumber yard, methods in VI-177
—men's furnishing store methods (Moe Levy & Company) VI-32
—necktie manufacturer, successful campaign of VI-29
—newspapers, when the manufacturer uses VI-56
—novelties, put to work in the "Blue" Store V-89
—novelty manufacturer's policies VI-70
—paint store methods IV-54
—physical culture expert, making the point of contact VI-40
—professions, maintaining dignity in advertising VI-160
—railroad, advertising service features of VI-166
—real estate, successful methods in VI-88, 169
—restaurant methods VI-164
—service features, making most of VI-168
—soup manufacturer, judging mediums VI-143
—"Spearmint" campaigns, methods of conducting VI-88
—toilet goods, how one concern advertised VI-70
—traction engine manufacturer, making the point of contact VI-9
—watch, selling nationally IV-44
Advertisement, four essentials of a good VI-170-171
Advertising agency
—handling outdoor campaigns VI-82
—service, how to sell by mail VII-12, 49
Advertising contract, how the publisher checks up VI-213-214
Advertising service bureau, used by a wholesaler to help dealers to sell VII-152
Advice
—how the banker should give V-30
—how to profit by I-82
Agency sales, how to inspect I-70
Agent
—duties in a textile factory II-41
—effect of prestige on IV-29
—exclusive, how to handle V-139
Aisles
—correct factory arrangement of II-96
—dividing office with IX-96
—how to lay out in the store V-135
Allis-Chalmers Company, methods of the mutual benefit association III-180
Alphabetical filing of correspondence VIII-192; IX-158
Ambition
—how to arouse the salesman's IV-95
—how to guide I-17
—how to profit through IV-144
—making better workmen by rousing II-63
Analysis
—how to make in setting quotas IV-96
—management, value in I-27
—need in advertising VI-13, 30, 36, 172
—sales increases due to I-27, 78; V-80, 181
—value of in business I-15, 26
ANDERSEN A R
—chapter on Costs X-153
ANDERSON, F B
—editorial "Work With Your Banker" VIII-151
Appeals, sure, in letter writing VII-20
Appointments with callers, getting most out of I-65
Apportionment of machine cost, methods X-17
Appreciation, as an investment factor VIII-189
Apprenticeship, training methods III-40
Approval sales, how to get V-71
Arbitration, how the Filene Association secures among store employees III-196
Architect
—devising a cost card for X-139
Argument
how to distribute through a letter series VII-24
—in insurance sales, how to locate the right V-41
Arrangement
—how to secure economy in office IX-24
—working out principles of office IX-26
Assembly, in the factory II-157

Assets
—financial, how to handle IX-104, 172
—how they vary I-57
—personal, how to find IX-147
—reports, how to make up IX-110
Associations
—retail merchants', as a means of collecting money VII-187
—securing cooperation by means of III-73
Assortments
—effect of large, on country trade IV-68
—importance of selling intelligent IV-34
Atchison, Topeka & Santa Fe Railway, wage payment system developed by II-125
Attention
—advertising, winning in VI-56, 88
—how to center the customer's V-112
—sales letter, securing in IX-10
Auction
—methods of the buyer at III-24
—advertising to prepare for VI-175
Auditing company
—service, selling by mail VII-111
Auditor
—duties of IX-21
—service-selling letters successfully used by VII-112
AUEL, C. B.
—chapter on Payment Plans II-121
Autograph signature, how to use zinc etching for IX-43
Automobile Manufacturer
—advertising methods of VI-115
—outdoor advertising used by VI-78
Automobiles
—a letter paragraph that attracted farmer prospects for VII-44
—used to attract customers to the display room VI-179-180

B

Back file in complaint correspondence, how to use VII-167
Backgrounds, window, how to plan for V-135
Bad debts
—making allowances for X-138
—measuring the credit man by amount of VIII-24
BAILEY, MARSHALL J.
—chapter on Store Fixtures V-110
Bakery
—advertising campaign, methods in VI-38, 95
—how one man attracts new trade to his dealers' shops VI-73
Balances
—bank, how to report I-37
—cash, how to record V-200
—weekly, how to get easily V-196
BALL, W. S.
—chapter on Hiring III-117
BALLOU, HERBERT A
—chapter on Retail Records V-179
—chapter on Retail Selling IV-52
BANKING 332.1
—BANKER
—maintaining right relation to the community V-23, 29
—good, judging a V-30
—BANKS
—accounting methods IX-139, 140, 142
—accounts, how to get started VII-125
—advertising, methods of V-25, VI-68, 94, 185
—arrangement, fixing details in the office IX-31
—collection agent, serving as VIII-178
—cost system for, devising a X-141
—credit information, how to secure VIII-17, 67, 104
—credit, right attitude in regard to VIII-161
—desk work, handling the details of IX-56
—financial aid, methods of giving VIII-156, 179
—investments, giving advice on VIII-181, 186
—prejudices, overcoming V-22
—selling methods V-26
See also ADVERTISING, CAMPAIGNS; COSTS; ACCOUNTING.
—LETTERS
—increasing business by VII-120
—interest in, how to arouse VII-129
—savings bank customers,

methods of educating VII-125
—services, value of featuring VII-121
Bankruptcy
—effect on securing further credit VIII-89
—how commercial agencies keep track of VIII-40
BANNING, KENDALL
—chapter on City Sales V-160
—chapter on Executive Control I-33
—chapter on Graphs X-170
—chapter on Office Machines IX-39
—chapter on Profit Sharing III-172
—chapter on Retail Advertising VI-153
—chapter on Stationery Selection VII-47
Bargain counters, how to establish V-88
Bargains
—bringing mail orders for VII-104-105
—how to buy V-88
—how to feature V-88
—when the buyer should select III-85
BARTLETT, A. [illegible]
—editorial, "Keeping Up With New Methods" IX-111
Basement
—doing away with in factory II-81
—store, how to plan a V-132
BEAN, E. [illegible]
—chapter on Dealer Advertising VI-190
—chapter on Letter Details VII-68
—chapter on Salesmen's Reports V-153
—chapter on Training Salesmen IV-146
Benefit associations, how to organize employees' III-184
Bicycle, how to deliver profitably by V-121
BIGGAR, O. M.
—chapter on Professional Costs X-132
Billboards
—advertising campaign, how to use in the VI-85
—points in the use and design of VI-182
—specimens of effective copy VI-85
—using to meet competition VI-81
Billing
—bookkeeping methods IX-42
—department functions VIII-139
—in the store, methods of V-195
—using the typewriter for I-40
See also ACCOUNTING.
Bill of lading, handling collections by draft attached to VIII-108
Bills
—how to collect promptly VIII-102
—how to give personality to IV-54
Bins
—arranging stock in II-38
—how to make your own V-134
[illegible], FRED
—chapter on Order Systems II-159
Blacksmith work, making a time study of II-134
"Blanket report," how the retailer uses X-123
[illegible]
—chapter on Retail Expenses X-120
Blowers, where to locate in factory II-97
Blueprints, following in the shop II-92
Blunders
—how to profit by I-45
—how to stop in selling I-22
Board of directors, controlling business through II-42
Boiler room, mapping duties in II-93
Bonds, as investments, judging VIII-186, 190
Bond issues, how used to advertise banks V-29
Bonds as investments, judging VIII-186, 190
Booklets
—as advertising mediums, how to use VI-128
—covers for, designing successful VI-28
—how to plan for IV-18
—putting sales value into VI-116
—right and wrong use of in campaign by mail VII-27-28
Books, increasing employees' efficiency by giving away III-168
Bookseller
—complaints, handling a house blunder tactfully VII-166
—sales methods of V-103
BORGES, BERTHOLD E.
—chapter on Factory Credits VIII-78
Borrowers, how to handle V-23
Borrowing, dangers of I-51
Boston, selecting factory sites in II-70
Boxes
—corrugated, how to select for mailing samples V-74, 76
—disadvantages of as stock

containers V-113
Boys
—how to make workers of III-139
—how to select good workers from III-120
—letters by which a store attracted the trade of VIII-98, 99
—using as messengers II-108
Branch house, handling reports from IX-36
Branch store (See also ACCOUNTING.)
—accounting methods in IX-123
Brands
—analysis of, how to use profitably V-181
—establishing by advertising VI-16
—how to interest customers in I-79
Brass foundry, mapping departments in II-85
Brass goods, how to sell V-73
Bread
—how a new talking point was found for VI-38-39
—successful advertising of VI-94-95
BROWN, A. P.
—editorial, "Concentrate Detail" X-151
BROWN, HARLOW B.
—chapter on Mailing Lists and Follow-up VII-190
—chapter on Outdoor Advertising VI-76
Buffalo, advantages of factory sites in II-70
Builders, how to reach with samples V-75
Building Materials Manufacturer
—advertising campaign, methods in VI-20
Buildings (See also ORGANIZATION.)
—construction details, how to handle II-80; V-130
—department store, housing I-116; V-129
—shape of, how to choose II-79
Bulletin board, used to advertise a store IV-134; VI-161
Bulletins, importance of to the salesman IV-103
BUNNELL, STERLING H.
—chapter on Overhead Expense X-92
Burden (See also COSTS, OVERHEAD.)
—methods of assigning factory X-53, 92
BURQUEST, WILLIAM HAMILTON
—chapter on Retail Employees III-165
BUTLER, EDWARD B.
—editorial, "Founding a Business" I-71
BUTLER, J. M.
—chapter on Cost Systems X-42
Buyers
—groups of, how to analyze IV-20
—how to attract more V-85
—position of in a trade IV-9
—prospective, value of card records of V-83
BUYING
—ESSENTIALS
—basic line plan, how to apply III-23, 25
—dangers, how to avoid III-60
—first cost pitfalls, avoiding III-16, 30, 31, 33, 48, 57
—forms, how to design III-94
—how much to buy III-11, 12, 23, 64
—price, how to secure the right III-29
—requisition, how to use III-71
—scientific methods III-9, 52, 56
—standards, how to set III-12, 29
—system, how to perfect III-21, 93
—DELIVERY
—checking methods III-91
—follow-up methods III-107
—how to secure prompt II-168; III-102
—ORDERS
—approval methods IX-20
—how to enter IX-14
—how to place III-71
—invoice and voucher, methods of handling IX-86
—journal, entering in IX-121
—office details, taking care of IX-10
See also ACCOUNTING and SELLING.)
—BUYER
—community, acting as agent for III-26
—customers, how to educate III-67
—duties of, how to perform II-37; III-45; IX-13
—market, methods at III-11, 44, 47
—mistakes, learning from III-60
—salesman, keeping on right side of III-36, 42, 49
—supplies, methods of man

who buys III-78
—RECORDS
—how to keep the right II-37; III-81
—market data, filing III-12, 13, 81, 112
—sales, guiding purchases by III-19, 27
—suppliers, keeping lists of III-45, 48
—INSPECTION
—grocery store, methods in I-103
—how to systematize III-103
—raw materials, how to check up II-196, III-14
—samples, testing III-105
—EQUIPMENT
—machine "points", how to judge III-52
—methods in buying III 13
—standardizing the purchase of III 51, 55
—FACTORY
—buyer's duties in, performing the III-12, 18, 32, 86
—material, how to get the right III-34, 54
—purchase order blanks, specimens of II-171; III-89, 97, 100
—requisition, designing II-171; III-95, 99
—RETAIL
—buyer's requisition, how to use III-72
—clothier's methods III-62
—"confirming order", how to design III-73, 76
—demand, methods of testing III-15, 24, 61, 63; IV-21
—department store, carrying different-priced lines in III-19
—dry goods store, methods III-64
—grocer's methods I-104; III-63, 67
—haberdasher's methods III-65
—jewelry store methods III-75
—system, perfecting the I-86; III-12, 71; IX-116
—SUPPLIES
—how to buy III-78
—standardizing III-82
Buying motives
—how letters arouse VII-196
—how touched on in chewing gum advertisements VI-79
Buzzer
—calling stenographer with IX-175
—how the manager uses I-69

C

Cabinet show windows, how to use V-112
CAKE CHARLES E
—chapter on Management IX 33
—chapter on Showing Samples by Mail V-73
—chapter on Traffic Records IX-184
Calendar, monthly, used as an advertising novelty VI-72
CALKINS EARNEST ELMO
—editorial, "Fixing Sales Standards" VII-83
Callers, how the manager receives I-61
Calls
—first, importance of to insurance agents V-39
—how to use to get names V-89
—salesmen's, how to keep track of V-162
Call slips, testing demand by III-24
Campaign
—advertising, planning before-hand VI-35
—complete bank advertising VI-187-188
—how to reduce risks in I-31
See also ADVERTISING.
[illegible] A B
—chapter on Shop Costs X-64
Capital and labor, how the struggle arises between II-59
Capital, how it may control management I-16
Capital rating, method of determining VIII-41
Capital stock, methods of distributing VIII-154
Carbon
—copies of letters, filing IX-157
—how to use with sales letters V-77
Card file, keeping standard buying needs in III-13
Card index, handling clerical work with IX-48
Card ledger
—how the doctor may use IX-148
—value of in credit work VIII-150
Cards
—colored, how to file with VII-192
—dealer, for the manufacturer's advertising man VI-59
—display, how to secure from jobbers IV-12
—show, how to plan for III-18
CARPENTER J T

—chapter on Letter Arrangement VII-58
—chapter on Tool Room Methods II-190
Carriers, basket, value of I-170
CASEY, DANIEL V.
—chapter on Expense Records X-151
—chapter on Inspection II-194
Cash
—entering on the books IX-76
—handling in the office IX-119
Cash book, carrying original entries in IX-74
Cashier's window, convenient placing of IX-61
Catalog
—how to mail promptly VII-191
—how to use through salesmen I-108
—putting sales value into VI-116
—should be accompanied by letter VII-78
Catalog house
—chief assets of V-83
—how to meet the competition of V-78
—retailers' needless fear of V-79
—why people buy from V-81
"Census machine", keeping costs by X-197
Chain stores, management principles of I-16
CHALMERS, HUGH.
—editorial, "Contact and Confidence" IV-7
Chambers of commerce, how to use in collecting money VII-187
Character
—how buyers judge the salesman's III-37
—importance of study of by salesman IV-140
Charge accounts
—distributing on the books IX-98
—holding customers with VIII-87
Charge sales
—how to debit V-199, IX-120
—how to handle VIII-138
Charge sheet, duplicate invoice as IX-134
Charts
—for letters, how to use VII-200
—seeing graphically with II-22
—showing cost facts by X-154
CHASE, J. EDDY
—chapter on Piece Rates II-146
Checks
—how to give personality to IV-54
—paying personal bills by IX-146
—using voucher to write IX-93
Checking
—comparing goods with invoice IX-116
—local advertising, how the manufacturer proceeds in VI-57-58
—methods in the stockroom II-169
—space charges and contracts VI-199
Check protector, preventing fraud with IX-48
Chemical laboratory, place in the factory II-84
Chemist, how the buyer uses a good III-15
Chicago, choosing the factory location in II-70
Chief accountant, duties of IX-17
Chief correspondent, authority of IX-153
Children
—a letter that appeals to parents through VII-14-15
—how the bank profits from V-26
—how to secure information about V-19
Christmas letter
—a good opening for VII-60
—used by a shoe dealer VII-37
Christmas novelty, how a dealer distributed VI-74
Christmas trade, how to get by parcel post V-62
CHURCHILL, CHARLES H.
—chapter on Magazine Advertising VI-52
—chapter on Market Development IV-17
—chapter on Newspaper Advertising VI-52

CIGAR STORE

—manager, selecting a I-78
—sales methods of V-75
—service, selling by mail VII-117
Cincinnati, advantages of factories located in II-70
Circulars
—large size, when to use VI-121
—putting sales value into VI-116
Circular letter, how to use machines in getting out IX-42
Circularizing
—how the lumber dealer keeps track of VI-177
—how to get names for V-84
City
—market possibilities in IV-35
—selecting a factory site in II-67
—when salesmen should go to IV-47
Claim department, training men in the III-135
Claims, how to handle IX-188
CLARK, NEIL M.
—chapter on Accounting Principles IX-70

—chapter on Advertising Costs VI-143
—chapter on Cost Principles X-9
—chapter on Manufacturing and Sales Office Accounts IX-130
—chapter on Printing Costs X-126
—chapter on Retail Buying III-71
—chapter on Scientific Management II-58
—chapter on Service Advertising VI-163
—chapter on Supply Buying III-78
—chapter on The Buyer at Market III-44

Classification
—departmental, how to make V-157
—personal accounts IX-145
—sales, methods of IV-25

"Clean" drafts, making foreign collections by VIII-110

CLEANER AND DYER

—advertising campaign, methods in VI-12, 163
—services, selling by mail VII-110

Clearing house for credits, how to use VIII-17

Clerical work
—how to handle in factory II-185
—qualities required in handling III-150

Clerk
—average sales of in shoe store IV-132
—how one advanced I-102
—how to uniform distinctively IV-54
—possibilities in the future of I-76
—reading and signing the store advertising VI-154-155
—success of one I-89

Cleveland, value of factory locations in II-70

CLEWS, HENRY
—chapter on Financing VIII-153

CLIFFORD, W. G.
—chapter on Novelty Advertising VI-63

Clincher
—good and bad VII-28-29
—in mail sales campaign, a telegram used as VII-136
—in poster advertising VI-87
—sales letter, how to write for a VII-17
—specimen advertisement illustrating VI-19
—used in a furniture dealer's sales letters VII-26

Clock
—how to use the time-computing II-162
—used as an advertising novelty VI-69-70

Clock stations, methods of using factory II-62

CLOTHIER

—advertising methods VI-32, 72
—buying methods III-62
—manager, selecting a I-79
—policies of Frank M. Low Company VI-159
—sales methods V-73
—use of house organ by VI-99
See also SELLING

Clothing factory, kind of buildings needed for II-76

COAL DEALER

—advertising campaign, conducting an VI-69
—financing, methods of I-56

COLBURN, FREDERIC G.
—chapter on Time Studies II-133

COLE, J. M.
—chapter on Bank Records IX-139
—chapter on Purchase Accounts IX-85
—chapter on Reports IX-102

C. O. D. items, how to handle V-199

Coins
—methods of sorting IX-47
—used to advertise a men's store VI-161

COHEN, C. J.
—chapter on Bank Advertising V-22

Collateral, loaning money on VIII-186

Collection Agency
—advertising campaign methods VI-68

COLLECTIONS 332.13

—ESSENTIALS
—delinquency, correcting VIII-20, 72
—methods, selecting safe VIII-19, 58, 71, 129, 140
—problems of, studying VIII-55
—promptness, importance of VIII-30, 58, 74, 95
—right policy, fixing on I-57
—sales, holding safe percentage to VIII-101
—when to compromise VIII-86
See also LAW; BANKING; CREDIT

—COLLECTION AGENCIES
—advertising methods of VI-69
—when to use VIII-76

—COLLECTOR
—selecting a good VIII-19, 29

—COLLECTION DEPARTMENT
—office details, how to handle VIII-147; IX-12
—other departments, how to cooperate with VII-174; VIII-70, 111
—DRAFTS
—collection agency, when to use VIII-19
—credit clearing house, methods of VIII-17
—foreign trade, how to use in VIII-107
—methods in using sight draft VII-181; VIII-20, 73,129
—FOREIGN
—difficulties in, how to overcome VIII-104
—England, solving problems in VIII-105
—Holland, solving problems in VIII-104
—methods to follow VIII-102, 103
See also DRAFTS
—LETTERS
—commission merchant, methods of VII-181
—concessions, clearing accounts by VII-179
—follow-up, how to use V-177; VIII-128, 140
—instalment accounts, methods of bringing in VII-184
—retail store methods VII-177
—MANUFACTURING
—solving the problems of VIII-78
—RETAIL
—best methods in I-22; VIII-94
—instalment accounts, securing by legal note VII-186
—parcel post, how it affects V-72
—WHOLESALE
—methods in VIII-67
College men, as employees III-131, 150
Color
—how to quicken journal entries by means of V-200
—in printed matter, harmonies, contrasts and effective combinations VI-122-125
—when to use in stationery VII-50
COMEFORD, THOMAS P
—chapter on Contract and Copy Records VI-199
Commercial agency, methods of organization and working VIII-32
Commercial agency reports, getting credit information from VIII-16
Commercial clubs, how used to build trade V-55
Commercial laboratories, how the buyer can employ III-14
Commercial literature
—giving permanent value to VI-119
—shaping and designing VI-118
—where to begin in planning VI-116
Commissions
—as a method of paying salesmen IV-45
—charging cost of X-130
Committee of control, place in the organization II-29
Committees, use of I-41
Communications, how to handle department IX-37
Comparative expense statement, checking costs with X-161
Comparisons
—how helpful I-21
—how to make in sales contests IV-96
—of costs, catching increase by X-28
—value of in reports II-56
Competition
—based on appeals to different classes VI-21
—catalog house, how to meet V-78
—employing as an incentive to workmen II-64
—fire insurance, instance of intensity of V-46
—how to gauge the salesman's IV-143
—mail order house, advantages retailers have over V-83
—value of creating among salesmen IV-98
Competitors
—checking the sales methods of IV-22
—fire insurance, how to handle V-51
—how to gauge sales of IV-47
—how to study IV-143
—value of knowing stocks of IV-56
—value of partly forgetting I-100
COMPLAINTS 658 77
—adjusting, methods of III-135; IV-167; VII-166
—how to analyze VII-171
—how to classify VII-169
—how to handle VII-166
—testing service by I-22
—tracing to customer IX-109
See also SELLING.
Computing machines
—how to save help with IX-46
—value of in the office IX-40

Conditions
—effect of local on sales quotas IV-20
—how to secure business facts on IV-26
—importance of studying carefully I-113
Conferences
—how to manage I-69
—testing their value in the factory II-49
Confidence
—best way to secure IV-10
—how secured by the old-time salesman IV-148
—how the professional man and tradesmen win VII-114
—how to build I-94
—specimen advertisements that secure VI-27
Consignment
—how to vary stipulations of IV-12
—methods of using IV-10
—selling on IV-10
Construction
—how to handle II-80; V-130
—how to specify for IV-17
—need of planning ahead for I-116
Consulting expert
—services, selling by mail VII-113
Consumers
—how best to convince IV-10
—how the city factory gets in touch with II-71
—how to direct the buying policies of IV-42
—how to influence with labels IV-14
—how magazine advertising influences VI-45
—selling direct to I-31
—unusual contact of, with dealer in small towns IV-36
—contact, value of personal I-42; V-22
Contracts
—accepting by mail VII-163
—advertising, how to record VI-198
—closed when acceptance is mailed VII-157-158
—"contract book," how to use II-184
—how to make binding VII-171
—how to protect yourself on acceptance of VII-158
—legal points when acceptance varies the terms of VII-159
—making conditional VII-162
—terms of the employment III-159
—when and how revoked VII-158
See also SELLING.
Control
—importance of complete I-34
—three methods of I-11
Convenience
—effect of on parcel post sales V-66
—importance of as a sales argument V-15
Conversations
—controlling in convention audiences IV-122
—how to epitomize IV-92
—how to handle by telephone IV-65
—sales, a typical example IV-66
Conveyors
—how to use X-24
—handling work in straight lines by II-100
See also ORGANIZATION.
COOK FRED
—chapter on Store Layout V-129
COOK TYSON
—chapter on Selling by Telephone IV-63
Cooperation
—among retailers, value of V-55, 71
—between merchant and manufacturer VI-82, 202
—between personal and mail sales departments, testing the value of VII-147
—between retailers to get parcel post sales V-71
—how to use in retail sales force IV-163
—methods of dealer IV-57; VI-57, 82, 202
—of factory men, value of X-48
—planning the office layout for IX-28
See also SELLING.
Cooperative association, methods of in an office III-173

COPY IN ADVERTISING
659.12
—and illustration, related functions of in advertisement VI-46
—complete for a booklet VI-126-127
—essentials in, getting VI-46, 49, 55, 109, 159, 170
—for house organ, how to get in by a schedule VI-137
—good and bad in advertising VI-171-172
—how the publisher handles VI-213
—how to test for style and appeal VI-18

—how to write for outdoor space VI-84-87
—magazine, essentials VI-51
—making it seasonable VI-177-179
—picking up for a store paper VI-101
—pointers on writing VI-94
—schedule of, how to keep VI-136
—versus electrotypes, as an advertising help to dealers VI-58
—writing and layout, how to handle VI-117
—writing, dominant thought in VI-15, 16
—writing, where to begin in VI-110
See also ADVERTISING.

CORMAN, S WILBUR
—editorial, "Rousing Demand" VII-7

Corn Exchange Bank, loan methods in VIII-169

Corporation
—financial methods in VIII-156-160
—manager, performing the duties of II-29, 42, 67

Correcting accounts, with journal entries IX-101

CORRESPONDENCE 658.5
—chief clerk's duties, defining IX-154
—directing the mail VIII-120
—efficiency methods in IX-170
—filing methods IX-19, 153, 158, 161
—how to arrange the department IX-19
—mail distribution, methods of IX-159
—messenger service, managing IX-19
—sealing mail IX-44
—straight line methods in IX-169
—the mail "sorter" IX-161
See also OFFICE MANAGEMENT; SELLING; LETTERS

Correspondents, how to check on I-20

Cost of doing business
—how to check on V-194

COSTS 657.8

—ESSENTIALS
—centralizing control of X-187
—correspondence, how to find X-110
—departments, comparing costs in X-28
—figures, how to analyze X-153
—foretelling the future X-51, 168
—how to cut X-21, 161,164
—learning essentials of X-9, 26,65
—method of figuring II-188
—small parts, how to find on X-75
—trade costs, making uniform X-57
—wastes, how to cut out X-31
See also GRAPHS

—COST DEPARTMENT
—cost forms, how to design X-40, 98,101
—cost system, judging value of X-21, 56, 153
—efficiency, increasing your system's X-147
—filing cost data X-135
—fitting a system to a business X-32, 42, 79
—functions of, how to handle II-15
—machines that help in the office IX-39, 48; X-39, 85, 89, 192
—payroll methods X-86, 90
—tabulating machine, card used in X-197
—what the cost department costs X-39

—PRIME
—direct labor, as a cost factor X-13, 92
—finding essentials of X-12, 92
—labor records, how to keep X-49, 79, 81, 85, 88, 164, 193
—materials (See STOCKKEEPING.)
—pattern cost, form for keeping X-80

—"OVERHEAD"
—administration costs, how to find X-113
—amount of, how to find accurately X-12, 51, 60, 72, 96
—analyzing X-182
—expense, how to control X-181, 184
—items in, list of X-189
—machine rate, distributing burden by X-16, 93, 97
—methods of distributing II-30; X-14, 49, 57, 92, 95, 112, 128, 138, 159
—office, how to determine X-112
—percentage on wages as basis of distribution X-15
—productive hour as basis of distribution X-15
—sales department "overhead," how to figure X-117
—scientific machine rate, how to figure X-17
—supplementary rate as basis of distribution X-18
—wastes in, how to avoid X-183

—SELLING
—amount of, how to find X-49, 96, 114
—analyzing selling price X-19
—methods of distribution X-18
—STOCKKEEPING
—"bin tag," specimen of II-167; III-83
—inventory cards that keep stock up-to-date III-82
—material, methods of accounting for X-13, 81, 193
—methods in II-11, 165; III-21
—partial delivery, forms used in case of III-91
—perpetual inventory, how to use III-17, 80, 81; IX-105; X-48
—printer's methods X-168
—report, sheet on which to make X-25
—requisition, how to use II-11, 171; III-79, 87, 88
—requisition, specimen of X-27
—tools, card showing record of breakage II-191
—tools, requisition blank for X-77
See also ORGANIZATION
—TIMEKEEPING
—expense of, reducing IX-39
—how to shortcut work X-38
—methods to use X-36, 87, 90
—recorder, how to use automatic IX-47
—report, form for daily X-23
—time cards, putting to work II-153; X-38, 68, 127, 134, 140, 143
—time cards, specimens X-69, 129, 134, 135, 139, 195
—time clerk, performing the duties of X-35
—COST ACCOUNTING
—cost accountant, performing the duties of X-33, 39, 43
—expense report, form for daily X-29
—general bookkeeping, how to fit in with X-48
—form, showing yearly retail costs X-123
—monthly summary, how to make the X-136, 137
—methods that shortcut X-73
—office job record, using the X-127, 128
—"overhead" accounting methods X-82
—tools, accounting for X-81
—SYSTEMS
—architect's cost card X-139
—bank deposits, analyzing the cost of handling X-141, 145, 147
—jewelry factory methods X-75
—jewelry store methods X-155
—law office cost system X-132
—office, how to find costs in X-107
—pattern costs, methods of determining X-78
—printer's methods X-58, 126
—professional men's methods X-132
—railroad costs, figuring X-177
—shoe store methods X-120
—wholesale, fixing on X-59, 158
—woodworking plant, finding costs in X-66
COTTINGHAM WALTER H
—chapter on Efficiency in Salesmen IV-93
—editorial, "Men—Not Things" IV-77
Cotton factory, handling production reports in II-50
Counters
—displays, how to link up with advertising VI-156-157
—displays, how to secure from dealers IV-12
—how to get along without V-112
—how to lay out V-135
—value of re-arranging V-85
Counting, how to use machine for IX-42
Country
—advertising mediums and copy used to reach customers in VI-180-181
—value of workmen hired in III-122
Country Store
—advertising methods V-64
See also RETAILING and SELLING
Coupon books, how to use IV-57
Coupon, how to key for an advertising test VI-144-145
Courtesy
—an example of the value of V-101
—how to insure for purchasers by telephone IV-72
Cover designs for house organs, nine specimens VI-86
Cranes, where to locate factory II-97
CREDIT 3327
—ESSENTIALS
—accounts, keeping watch of VIII-93
—basis for granting VIII-14, 25, 68, 89, 162, 165, 169, 179; IX-7
—docket ledger, how to use VIII-118
—former methods of extend-

ing VIII-83
—information, revising VIII-70, 117, 131
—journalizing, methods of IX-100
—liberality, use of in granting VIII-69
—limits, how to set VIII-83, 92, 115, 135
—merchants' credit association, value of VII-187
—ratings, how they are determined VIII-41
—sources of information VIII-40, 60, 67, 89, 93, 98, 104, 114, 116, 124, 134, 148, 168
—when to extend VIII-20, 74, 161; IX-16
See also ACCOUNTING and FINANCE
—CREDIT DEPARTMENT
—assets, how to report when seeking credit IX-110
—collection department, keeping in touch with VIII-70, 101
—customers' card file IX-78, 80
—functions of, handling the VIII-11
—information, how to file V-150; VIII-117, 123, 136
—methods in VIII-31, 114, 119, 123, 137, 144; IX-88
—organization plans IX-16
—"tickler," used for maturing notes IX-101
—CREDIT MAN
—customer, tact in handling VIII-27, 94, 141
—factory, choosing a VIII-78
—handling the day's work V-192; VIII-23, 58, 80, 86, 100, 115, 165
—how to judge a good VIII-10, 25, 61, 82, 88, 99; IX-152
—other departments, how not to antagonize VIII-18, 24, 28, 68, 81, 87, 123
—retail, choosing a VIII-87
—AGENCIES
—books of rating, how to use VIII-16, 35, 41
—functions of, developing VIII-32
—how credit insurance affects VIII-47
—information, securing from VIII-32
—organization and methods VIII-37
—when to rely on VIII-34
—CREDIT INSURANCE
—advantages and disadvantages of VIII-49
—methods of VIII-48
—rate, how to determine VIII-43
—RETAIL
—large store, day-to-day routine in VIII-136
—methods of VIII-86, 133; IX-124
—telephone sales, problems in IV-75; V-63
—when to grant VIII-92
—INSTALMENT
—how to grant VIII-97
—system, how to build a VIII-143
—WHOLESALE
—methods of VIII-67
—MANUFACTURING
—difficulties in, how to overcome VIII-79
—right records, keeping the VIII-119
—FOREIGN
—how to make sure of VIII-103
Credit clearing house, as a source of credit information VIII-17
Creditors
—how to handle I-56
—methods of the collector's approach VIII-55
Curiosity
—an example of the value of satisfying the customer's V-102
—how to arouse in advertising VI-26-29
—how to arouse in opening paragraphs of sales letter VII-141
—how to use IV-33
—value of to retailers V-85
Curtis, Cyrus K., viewpoint on management I-9
[illegible]
—chapter on Finance I-51
CUSTOMERS [illegible]
—accommodating profitably V-101
—claims, how to check up V-182
—competitors', how to get your V-101
—educating to pay promptly VIII-72
—examples of value of showing interest in V-102
—how the buyer educates III-67
—how the buyer selects typical III-25
—how to advertise to VI-91-93
—how to assign salesmen to IV-135
—how to get into a pleasant mood IV-61
—how to get names from V-89
—how to handle complaints from VII-170
—how to handle more satisfactorily V-38
—how to regain lost IV-49
—how you can handle many V-32

—how you can tactfully hand them over to salespeople IV-169
—keeping a record of IV-49; V-18, 36, 84, 159, 175; VI-177; VII-153, 193; VIII-149; IX-78
—importance of gauging characteristics I-113
—Marshall Field's attitude toward I-22
—method of handling real estate information concerning V-169
—store, a periodic reminder to VI-98
—value of keeping in touch with I-101
See also SELLING; ACCOUNTING
Customer's book, real estate, how to keep V-157
Customer's ledger
—entering sales in IX-95
—how to use VIII-138; IX-96, 119
Cuts
—advertising, checking on returned VI-212
—advertising, insuring the return of VI-201
—for store advertising, how to handle and file VI-106
—keeping a record of VI-209-212

D

Daily balance
—figuring profits in the bank's X-144
—receipts, need for reporting IX-103
—sales report for branch store IX-123
DAVIDSON, WALTER
—editorial, "Keeping Up With Demand" II-157
DAVISON, H. P.
—editorial, "The Path to Power" VIII-7
DAY, JOSEPH P.
—chapter on Real Estate Advertising VI-169
—editorial, "Reaching Live Prospects" VI-43
Day wages, how all men work at same rate under II-58
Dealer
—advertising, getting a salesman's report on VI-206
—advertising helps for, from manufacturer VI-57
—campaigns for the manufacturer who advertises VI-57
—enormous volume aggregated by the small IV-35
—follow-up to, as a help to salesmen VII-145-147
—giving individuality to the IV-39
—helps, keeping a record of VI-59, 203
—helps, printing the retailer's name on VI-204
—how magazine advertising influences VI-45
—how to arouse selling energies of IV-11
—how to handle consignments to IV-11
—how to secure greater activity in IV-12
—identity, how to preserve under nationalized distribution IV-42
—persuading to use manufacturer's sales helps VI-63
—strong letter addressed to VII-87
—urging him to confer with salesmen IV-47
Debit and credit, in accounting, how to distinguish IX-72, 77
Debtors
—country, how to collect from VII-181
—effect of third parties upon VII-188
—how to arouse their sportsmanship VII-176
—how to get the attitude of VII-174
—how to handle inability to pay among VII-183
—how to impress quickly by mail VII-175
—how quickly to reach an understanding with VII-177
DEEDS, E. A.
—editorial, "Efficiency as a Habit" V-147
DELANO, FREDERICK A.
—chapter on Training Men I-45
Delays
—effect of on acceptance of offers VII-160
—letter paragraphs that overcome VII-29
—reporting on order II-54
—effect of on telephone customers IV-71
—how they increase complaints VII-107

—how avoided by using parcel post V-63
—when they are refusals of contracts VII-162
Delivery
—a typical schedule for I-109
—checking methods III-91
—follow-up methods III-107
—free, how to schedule V-69
—how retailers can profitably cooperate to make V-123
—how to secure prompt II-168; III-102
—importance of scheduling I-108
—one way to reduce cost of V-123
—sub-stations, value of providing V-128
—Sunday, making V-123
—use of special IV-72
—value of filling completely IV-183
See also BUYING; SELLING.
Demand
—analyzing VI-22
—made a problem by machine production VI-89
—recurrent outdoor advertising suited to VI-78
Demonstration
—and sales talk, handling together in an advertisement VI-19
—for bankers V-23
—making an advertisement give VI-47-48
—value of novel V-14
DE MUTH BENJAMIN I
—contributor to chapter on Going into Business I-95
Dentist, dignified advertising campaign of VI-166-167
Department
—accounts, keeping separate IX-113
—cost, keeping tab on IX-83
—distribution book, posting to IX-132
—making one help another in the store VI-91
—how to follow with charts I-39
—how to hold in line I-13
—how to plan for I-116
—how to mention in telephone conversations IV-69
—new, how to finance I-56

DEPARTMENT STORE
—advertising, a standardized layout for VI-59
—advertising methods VI-95
—arbitration system, developing an III-196
—building construction V-129
—how to collect money for VII-177
—how to organize I-115
—sales policies I-113; IV-52; V-69, 127, 188
—services, selling by mail VII-116
See also SELLING; ORGANIZATION, BUILDINGS.
Deposits
—box for, used to advertise a bank's safety vaults VI-185
—effect of on contracts VII-164
—how a bank's were increased by form letters and circulars VI-188
—how to get more V-27
—slips, showing financial condition by IX-124
Depreciation
—accounting records of, handling the I-52; II-115
—charging off IX-101
—avoiding in credit accounts VIII-45
—keeping track of II-113-116
—stock, providing for X-121
Desire, how to awaken IV-33
Desk
—adapting special systems in the IX-52
—detail, methods of systematizing IX-50, 153
—how a factory manager planned his IX-54
—arrangement in office, for economy IX-30
—putting a working index in your IX-52
Detail
—how one business focused IX-33
—how the stenographer may handle IX-25
—how to handle I-14; IX-33
—importance of to salesmen IV-202
Dictation
—how to handle quickly IX-170
—machines that speed up IX-46, 196
—how the stenographer can lessen the burden of III-48
Dictation machine, handling correspondence with IX-46
Dictation schedule, using a IX-170
DIEMER HUGO
—chapter on Factory Location II-67
Differential piece rate, as a wage payment method II-128
Directories, use of for getting names V-84
Directors, limits in the authority of II-29
Direct routing, planning the office to get IX-30
Disbursements

—controller's power over IX-20
—getting daily report on II-49
Discharge, legal causes for III-159
Discounts
—acceptance of in small towns IV-36
—cooperative purchase, how figured on V-57
—danger of giving unfairly IV-175
—ledger, how bankers use IX-140
—notes, when to discount I-58
—taking advantage of IX-81
—when to follow IV-175
Disciplinarian, duties in settling factory disputes II-16
Displays
—how often to change IV-57
—how to blend grades into I-105
—how to connect with local events IV-57
—how to give quality tone to I-81
—methods for varying stock I-77
—need of backing with actual stock I-97
Distribution
—getting new IV-20
—handling when established IV-20
—how aided by manufacturers cooperating with dealers IV-43
—how to concentrate IV-21
—how to handle when scattered IV-21
—how to make stable IV-31
—new standards in IV-31
—place of the jobber in IV-45
—problems in future of III-28; IV-31
—retail, how changing V-120
—sheet, value of IX-98
—through the retailer IV-32
—value of knowing various methods of IV-44
See also SELLING
Docket ledger, how to use VIII-118
DOUBLEDAY, F. N.
—editorial, "Our Business Life Insurance" X-63
Double entry
—accounting essentials of IX-82
—keeping books by IX-81
Drafts
—how to know if legally mailed VII-160
—right, when to use VII-181
Drayage
—place of on expense accounts IV-110
—finding the cost of II-73
DRUGGIST
—advertising methods VI-74, 121, 153, 192
—finding the point of contact in letters to customers VI-33-34
—novelties, using to win the trade of housewives VI-74
—selling methods IV-73; V-65, 103, 121
—services, selling by mail VII-115
—use of house organ by VI-99
—window display, successfully used by VI-153-154
See also ADVERTISING; BUYING; SELLING
DRYER W. POOLE
—chapter on Production II-181
—chapter on Stock Room Methods II-165
—chapter on Wage Systems II-151
Drygoods Store
—buying methods III-64
See also ADVERTISING; SELLING
Duties
—how to chart I-40
—value of telling men clearly their II-46

E

EARLE, J. W.
—editorial, "Assets in Men" VII-39
Economy
—estimating the value of I-47
—how to arrange office with IX-42, 193
—how to insure in purchases III-33
—in bank accounting, how to insure IX-139
—securing through liberal equipment V-12
Editing a house organ VI-135-142
"Efficiency plan," wage payment method II-130
EGGLESTON, D. C.
—chapter on Laying Out Machinery II-96
Electrical display signs, how to make the most of VI-78
Electric hoist, using for straight-line production II-105
Electrotypes versus copy as an advertising help to dealers VI-58
Elevator company, service letter used by VII-120
Emerson system, wage payment methods II-130

EMPLOYING AND TRAINING HELP 331.86
—application blanks, handling III-153
—apprenticeship, training by III-140
—data on, how to file II-128, 155
—how handled by one retailer IV-162
—how to get efficiency from men I-162; III-157, 165, 168, 172, 187; IV-93
—output, keeping tab on X-108
—paying, plans for IV-155
—requisition for help, how to use II-156
—selection, making the best I-117; II-63
See also ORGANIZATION; MEN; MANAGEMENT
Employment agencies, when to use in hiring III-119
Employment contract, drawing up III-159
Employment department, arrangement in the Western Electric Company III-126
Enclosures
—and circular mailings, how to handle in correspondence VII-67-68
—and form letters, how linked together in a sales follow-up VII-22
—how to arrange and insert VII-70
—novel, for use with sales letter VII-60
Energy, how to conserve I-9, 59
Engineering department, getting out designs in II-14
Engineer of material, how buyers employ the services of III-33
England, securing credit sales in VIII-105
Entertainments
—for conventions, how to plan IV-126
—on the expense account, when to allow IV-110
Enthusiasm
—how to arouse in conversations IV-116
—how to arouse among salesmen IV-93
—how to spread IV-93
—in copy writing VI-40
—its value in managing I-12
—what it means IV-157
Envelopes
—and letter paper, convenient sizes for VII-48
—how to buy for house organ mailing VI-140
—how to select for mailing samples V-74
Equipment
—enclosed, value of V-113
—how to rearrange to reduce insurance charges V-54
—importance of having adequate V-11
—office, one way to sell V-76
Equities, when to invest in VIII-187
Errors
—how reports flash signals of II-51
—in merchandise accounts, how to avoid V-200
—in policy, reports that correct IX-102
—in production figures, detecting X-154
—salesmen's, how to check on V-149
Estimates, records that help printers make X-126
Estimating department, using machines in X-85
Executive committee, handling policies by IX-34
Executive offices, arranging the IX-64
Expansion
—designing buildings to meet II-78
—dangers in, how to avoid I-139
—how to gauge I-53
—how to make routine IV-25
—making cost methods a guide to X-56
—to neighboring towns, how to handle IV-67
—ways of planning for I-51
Expense of doing business, bad debts as a factor in VIII-45
Expense
—accounts, how to record V-154; IX-78
—estimating personal IX-146
—figuring overhead in selling X-117
—how machines cut IX-39
—how to control X-181
—low, used as an advertising appeal VI-34
—keeping tab on X-51
—methods of control IV-109; V-155
—selling, how to control IV-129; V-169; X-115
—sheet for, planning retail X-120
—real estate, how to check on V-160
—total, how to figure V-198
—where to charge salesmen's X-114
See also COSTS, OVERHEAD; SELLING
Experience
—how to profit from the sales-

man's IV-135
—value of getting the right I-87
—value of in making collections VIII-55
—why necessary in business I-15

F

Factory
—accounts, methods of keeping IX-130
—cost, place in selling price X-10
—cost system, purpose of X-65
—following orders II-62; X-66
—forms, how to order X-98
—inspection methods II-84, 187
—location, securing the right II-67
—manager, handling the duties of processing II-38
—office, how to construct partitions in IX-24
—office, how double steps were cut out IX-22
—output, picturing the X-175
—shop rules in, enforcing II-19
See also MANUFACTURING; ORGANIZATION

Facts
—how to secure the needed I-36
—importance of in forecasting IV-24

Failures
—business, commercial agency statistics of VIII-47
—how to profit from them IV-188
—in advertising, investigated and explained VI-16
—significance of to salesmen IV-82
—in managing, the cause of I-13

Farmers
—accounts of, method of keeping IX-147
—preparing to sell by mail to VII-133
—successful advertising to VI-10
—successful sales letters addressed to VII-36, 137-139
—wages of, how to charge IX-137

Farm Implement Dealer
—advertising methods VI-190

FARWELL, JOHN V
—editorial, "Gaining Confidence" VII-143

FEIKER, F M
—chapter on The Plan Board II-174
—chapter on Workmen's Compensation III-179

FICKER, NICHOLAS T
—chapter on Factory Departments II-83

FIELD, WILLIAM A
—editorial, "Delegate Detail" II-65

Figures
—getting proper interpretation of X-158
—how to use in advertising VI-38
—value of comparative IV-27

[illegible]
—chapter on Arbitration III-194

[illegible]
—editorial, "We Are Responsible" V-59

Filing
—cards for credit sales IX-78
—department, dividing the work in IX-160
—handling the day's mail IX-19, 153, 158, 164
—methods of VII-192
—sales information, methods of V-140, 150, 157, 170, 180
See also OFFICE MANAGEMENT; CORRESPONDENCE; SELLING

FINANCE [illegible]
—ESSENTIALS
—assets, summing up
—audit company, employing an VIII-164, 172; IX-104, 110
—bank, securing money through VIII-176
—how to control I-21
—liabilities, taking the measure of VIII-172; IX-105
—management, place of money in I-16
—methods of raising money I-153; VIII-153, 156, 162, 179
—problems of, meeting I-57; VIII-154, 158
—soundness, how to insure I-52, 56
—value of local capital VIII-155
See also BANKING
—INVESTMENTS
—bank's advice, securing VIII-186
—bonds, selecting safe VIII-180, 186
—dangers in, avoiding VIII-185
—equities, when to invest in VIII-187
—how to recognize good

VIII-185, 189
—judging the money market VIII-192, 195
—panics, watching effect of VIII-196
—real estate mortgages, how to select VIII-186
—securities, influences that affect VIII-193
—securities, selecting good VIII-188, 195
—surplus money, putting to work I-55, 89
—LOANS
—how to protect VIII-173
—outside, when to seek VIII-155
—PANICS
—causes of VIII-197
—money rates, watching the effect on VIII-196
—RETAIL
—coal dealer's methods I-56
—furniture dealer's policy I-55
—WHOLESALE
—grocer, methods of financing I 52
—money, methods of raising VIII-157
—MANUFACTURING
—methods of raising money for VIII-157
—CORPORATION
—how to raise money in VIII-159
—stock, methods of selling VIII-156, 158, 160
Fire insurance, how to sell V-16
Firm
—and engine, comparison between I-33
—name, how a merchant won good will for VI-34
First cost, how to avoid buying pitfalls in III-14
Fisheries company, talking points used by VI-168
FISK, J. W.
—chapter on Retail Selling VII-95
Fixed assets
—bearing in securing bank loans VIII-122
—monthly accounts that show IX-105
Fixtures
—how to make your own V-11
—side wall, how to plan for in the store V-130
Floor space
—how to layout in the store V-135
—when to rent more IV-102
Fluctuations
—how to keep tab on I-66
—in sales, how to check V-188
Folding machine, speeding up mail handling with IX-44
Folders
—for filing, how to use IX-160
—used as a record of advertising VI-148-149
Follow-up
—for the house organ editor VI-137-138
—how often to use VII-76-77
—methods in correspondence IX-154, 162
—putting letters to work VI-178
—recording results from VI-147-148
—securing prompt delivery by III-103
See also OFFICE MANAGEMENT; SELLING
Food stuffs, distribution of IV-32
Foreclosure, when to make VIII-102
Foreign trade
—collections in England, handling VIII-105
—collections in Holland, handling VIII-104
—collection methods to follow VIII-103, 109
—credit, how to learn facts of VIII-103
See also CREDIT; COLLECTIONS
Foremen
—cooperation of, cutting costs by securing X-23
—handling factory work II-39
FORGAN, DAVID R.
—editorial, "Credit and Character" VIII-65
Form letters
—how to get out promptly VII-26
—making up a series VII-22
—proper place in correspondence VII-62, 63, 69, 197; IX-43
See also OFFICE MANAGEMENT; CORRESPONDENCE; SELLING
FOSTER, HERBERT
—chapter on Depreciation II-113
Foundry expense, keeping tab on X-57
Free trial coupon in advertising VI-12
Freight bills
—when to pay IX-190
—charges, how to cover V-81
—charges, how to keep at a minimum II-67
—how to handle in the store V-130
FRENCH, E. F.
—chapter on Wholesale Accounts VIII-113
Functions
—importance of charting II-40
—why hard to guide I-23

Funds, how controller protects IX-20

FUNK, CLARENCE S.

—editorial, "Work and Wages" I-43

Furniture dealer, use of house organ by VI-99

Furniture factory, finances of, how failure came through wrong methods I-40

Furniture, how to arrange in office IX-24

G

Gang boss, getting factory work finished II-17

GANTT, H. L.

—editorial, "Working the One Best Way" III-163

Garage
—how to collect money for VII-184
—sales letters used by VII-118-119

GARDIN, JOHN E.

—chapter on Foreign Credits and Collections VIII-103

Gas company (See also SELL., LETTERS, ADVG.)
—sales letters used by VII-117-118

General expense
—classification of X-186
—danger of underestimating X-76
—prorating and charging IX-122

General ledger, entering costs in X-81

General manager, place in the organization II-28

Geographical filing of correspondence IX-158

GLOSSBRENNER, A. M.

—editorial, "How Cost Records Guide" X-105

GODDARD, ARTHUR E.

—chapter on Legal Phases of Employment III-158

Goods
—danger of carrying inferior IV-56
—five and ten cent, how to display V-135
—new, value of V-85
—popular priced, how to sell V-88
—returned, how to check on I-22

Good will
—expressing by novelty advertising VI-65
—how concerned with magazine advertising VI-45
—value of IV-29

Graphs
—guiding business with X-70
—methods of using X-155, 156, 157, 159, 165, 167, 172, 173, 174, 175, 178, 179
See also MANAGEMENT

Gravity conveyors, how to use in factory II-105

GROCER
—advertising methods I-102; VI-90
—buying methods I-104; III-63, 67
—delivery methods I-108
—how form letters collected accounts for VII-37-38
—inspection methods I-103
—letter paragraph used by VII-11
—men, how to handle I-106
—organizing the store, methods of I-107
—parcel post trade built up by VII-108
—sales policies, determining I-101; V-65
—sales records, how to keep V-175
—services, selling by mail VII-116
—telephone service of, advertised by form letter VII-116-117
—use of order slip for advertising by VI-93-94
See also ADVERTISING; SELLING; BUYING

Gross
—cost of productive work, finding X-92
—department profit, how to find IX-121
—profits, method of determining X-83
—sales, how to figure when estimating IV-99
—sales, using charts to show X-155

GRUT, HARRY N.

—chapter on Banking Costs X-141

Guarantee
—form, used by a concern sell-

ing to farmers VII-140
—importance of backing IV-11
—ineffectiveness of general IV-11
—one way of advertising IV-11
—putting it in its strongest form VII-100
—use of an absolute IV-14
—value of in advertising VI-39

H

Haberdasher (See also SELLING; ACCOUNTING)
—buying methods III-65
—policies, how to fix VI-16, 126
Halsey system, wage payment method II-124
HANAN, JOHN H
—chapter on Analysis in Business I-25
Hardware dealer
—local interest, advertising by VI-194
—use of house organ by VI-99
See also SELLING
HARRIS, [illegible] E
—chapter on Salesmen's Reports V-149
HASKELL, JOSEPH F
—contributor to chapter on Going into Business I-93
Hat Dealer (See also ADVERTISING; BUYING; SELLING)
—selling methods of I-87
Head stenographer, duties of IX-171
Health
—as a basis of a successful advertising campaign VI-18-21
—how to keep I-59
HENRY, GEORGE GARR
—chapter on Investments VIII-184
—chapter on The Money Market VIII-192
HIGINBOTHAM, HARLOW N
—chapter on Collections VIII-55
—chapter on Management Blunders I-136
HINCE, HUGH S.
—chapter on House Organs VI-135
Hiring
—learning the knack of III-117
—where to find the best men III-117
HOEFELD, ALBERT
—contributor to chapter on Going into Business I-87
Holiday sales, how to get by parcel post V-62
Holidays, legal effect of on notes and drafts VII-160
Holland, how to avoid credit losses in VIII-101
HOLMAN, W. C.
—chapter on Retail Selling V-78
—chapter on Sales Conventions IV-112
Hotel
—accommodations for traveling salesmen, how to secure from home office IV-113
—advertising, how made distinctive VI-165-166
—value of trade of I-91
See also ADVERTISING
House orders
—charging cost on X-114
—how to record X-118
House organ
—covers, three schemes of layout for VI-86
—functions and routine of VI-101
—getting most value from VI-97, 100; IX-151
—how to edit and produce VI-100-106
—how to mail out VI-142
—production schedule VI-139
—six months' schedule for VI-136
—sources of material for VI-135-136
—vital points in the use of VI-49
See also ADVERTISING, MEDIUMS
HOWE, MURRAY
—editorial, "Putting News Into Copy" VI-107
[illegible]XIE, VERNON
—chapter on Cutting Costs X-21
Humor
—how to handle in the house organ VI-103
—how to use in newspaper advertising VI-181
—place of in sales letters VII-16-17
—use of in retail display IV-58
HUNTER, J. V.
—chapter on Price in Buying III-29
HUSE, HOWARD R.
—chapter on Credit Extensions VIII-161

—chapter on Wholesale Credits and Collections VIII-67
HYPES, WILLIAM F.
—chapter on Getting Orders IV-179
—chapter on Salesmanship IV-102

I

Ideas
—danger of forcing I-15
—how to adapt scientific II-174
—how to test in copy writing VI-109-110
—value of watching for I-88
Idleness
—factory, showing by charts X-65
—methods of eliminating machine II-107
Illustrations
—and copy, related functions of in advertising VI-46
—file record of, how to keep VI-209, 211
—in advertising, a test for VI-112
—in advertising, how to handle VI-121-122
—in newspaper advertising VI-54
—in store advertising VI-159-160
—used in advertisements to awaken desires VI-20
—use of on booklet covers VI-28
—value of to insurance men V-39
—when to use VI-46, 54, 87, 121, 159
See also ADVERTISING, COPY
Increases
—in cost, reports that show X-28
—in production, how to keep track of X-52
—in sales, how to follow IV-26
—learning reasons for IV-27
Indentation
—hanging, attention value in letters VII-64
—unnecessary to mark letter paragraphs VII-63
Index
—customers', handling VIII-120
—how to make up VI-133
—files, how kept IX-55
Indianapolis, advantages of as a factory location II-71
Individuality
—how secured in form letters VII-198
—how to secure in stocks I-81
—in the store, how to secure I-73
—value of to salesmen IV-92
—why of importance I-33
Inducement, planning for your sales letter VII-134-137
Information
—about stock, how of value to the retailer IV-56
—about stock, how to record V-179
—desk, using telephone operator at IX-26
—government, how to use profitably V-76
—how to secure from agents IV-27
—local, value of to retailer when meeting catalog houses V-83
—making desk a tool to furnish IX-56
—the fundamentals needed I-36
—using cards to file IX-54
—value of securing from callers I-63
INGERSOLL, ROBERT H.
—chapter on Selling to Jobbers IV-44
Initiative
—danger of submerging I-10
—in handling expense X-59
—how to develop in employees III-175
Inquiries
—as a test of advertising VI-144-145
—from billboard advertising, how to handle VI-92
—how to answer general VII-196
—how to give special attention to certain VII-196
—how to handle VII-191
—card, used by retailer for mail order prospects VII-104
—record for the advertiser VI-145
Insolvency, how the collection man meets VIII-70
Inspection
—moral effect of, on supplier I-61
—of goods, how helpful to retailers V-82
—of stock, value of rigid I-104
—when to make personally I-69
Inspector, how to handle the duties of II-17
Instalment House
—collection methods VII-185
—sales policies, fixing successful IV-15
See also CREDIT; COLLECTIONS; SELLING
Instruction sheet, how to use in production X-37

INSURANCE
—agent, sales letter used by VII-120
—credit, how to fix VIII-43, 45, 48, 49
—desk detail, handling IX-56
—life insurance, selling a million a year V-38
—municipal fire, one way to sell V-48
—services, selling by mail VII-120
See also SELLING; CREDIT
Intensive merchandising, buying problems in III-11
Inter-department relations in the office IX-28
Inter-house messenger service, how to handle IX-163
Interest
—a letter that secures VII-14
—how aroused by the old-time salesman IV-148
—how a sales letter aroused VI-70-71
—how awakened for the modern salesman IV-148
—how to arouse in employees III-188; IV-33
—in advertising, how to secure VI-26, 29
Interest rate
—keeping total at a minimum II-11
—charging departments with IX-122
—fluctuations in VIII-190
—how considered by depositors V-23
—on savings accounts, how a bank advertised VII-126
Interviews
—how to hold with applicants for positions III-128
—how to record V-160
—insurance, value of short V-38
Inventions
—how the buyer keeps track of III-13
—how to market I-90; V-10
Inventory
—card for advertising matter VI-205
—methods of taking II-97; III-74
—of equipment, estimating production unit by X-93
—of sizes, preventing overstocks by IX-126
—records, keeping X-124
See also ORGANIZATION, STOCKROOM
Investments
—development of in retailing I-134
—good, how to recognize VIII-185, 189
—how to choose wisely VIII-134
—how to handle I-56
See also FINANCE
Invoices
—checking up purchase IX-86
showing terms on VII-179
—use of in parcel post packages V-72
—writing checks from IX-93

J

JADDEN, W. R.
—chapter on Keeping Labor Records by Machinery X-85
JAMES, H. WENTWORTH
—chapter on Selling for Future Business IV-173
JEWELER
—advertising methods of VI-113
—advertising methods, used to establish a store VI-193-194
—buying, right methods of III-75
—cost system, keeping records of a X-155
—sales letter methods of VII-101-102
—MANUFACTURING
—cost records, system for keeping X-75
—watch, how one brand was advertised IV-41
Jobbers
—how to follow up correspondence of VII-194
—ways parcel post can be used by V-67
JOHNSON, F. B.
—chapter on Factory Buying III-86
JONES, C. M.
—chapter on the Retail Sales Force III-151
JOOR, S. F.
—chapter on Straight Line Production II-99
Journal
—credit entries, how to make IX-100

—keeping records in IX-74
—order, how to enter IX-89, 131
—posting, right methods of V-199; IX-132
JOY, HENRY B.
—editorial, "In the Customer's Place" IV-171
Judgment
—in making collections VIII-119
—in handling expense, value of X-183

K

Kansas City, advantages of factories located in II-71
KEITH, ROGER
—contributor to chapter on Keeping Tab on Work II-50
KENNEDY E. F.
—chapter on Instalment Credits VIII-97
KINGMAN, LEWIS E.
—chapter on Dealer Helps VI-202
KINGSLEY DARWIN P.
—editorial, "Science in Business" IX-151
KINMILLER E. B.
—chapter on Finance VIII-176

L

Label, novel use of IV-14
Labor
—centers, locating the factory near II-76
—cost factor, how to determine as a X-13, 92
—cost records, keeping X-19, 79, 81, 85, 88, 164
—how to keep gang time for II-141
—tickets, keeping costs by means of X-127
See also COSTS, PRIME
Laboratory methods, how the scientific manager uses II-60
Land
—how to finance development of I-75
—reclamation of as an advertising method V-22
LAUNDRY
—advertising schemes VI-164
—place of on expense account IV-110
—selling methods V-69, 106
—talking points used by VI-164
See also ADVERTISING; SELLING; LETTERS
LAW 340
—BUSINESS
—collections, handling VIII-21, 95, 102, 130
—deliveries, enforcing III-110
—employment agreements, making III-159
—CORPORATION
—shares, legal division of VIII-154
—LAWYERS
—collections, handling through VIII-75
—credit information, getting from VIII-16, 37, 67
LAWRENCE JOHN S.
—editorial, "Take Your Problem to Pieces" X-7
LAY, DAVID
—chapter on Building up the Bank VI-185
Layout
—for booklet covers, five types of VI-28
—how to plan for a store paper VI-105
—inexpensive and effective VI-124
—sheet for house organ editor VI-140-141
Leaks
—dangers of small I-118
—in production, stopping X-59
Ledger
—accounting, how to use in V-185, 200; IX-76, 80
—focusing profit and loss in the IX-71
—card, how the credit department uses VIII-126
—sorting and balancing accounts in the IX-74
See also ACCOUNTING
LENNON, PHILIP W.
—chapter on Letter Salesmanship VII-9

Letterheads
—color in, how to use VII-50
—personal tone, putting in VII-49, 51, 55
See also SELLING
Letter
—arrangement, correct practice in VII-58
—as a delivery follow-up method III-107
—costs, how to find X-110
—form, how to key for answers VII-199
—how a correspondent phrased for country trade VII-41-42
—how to begin VII-10-11
—how to "chart" VII-200
—how to fold VII-70
—how to map out VII-200
—layout, specimens showing false and correct practice in VII-62-63
—length tests of VII-15-16, 76
—standardizing the typing of VII-64-65
—that proved effective with dealers VIII-83
—to dealers, a test showing how it helped the salesmen VII-145-147
—to dealers, sound sales plan, the basis of VII-92
—used by salesmen between calls on their trade VII-153
—writing, points on from manufacturer VII-89-90
—writing, how to touch on motives in VI-22
—writing, salesmanship in VII-9
—writing, what decides rules necessary in VII-32-33

LEWIS, E. ST. ELMO
—chapter on Copy Writing VI-109
Liabilities (See also FINANCE)
—financial, how to handle VIII-172; IX-105
Life Insurance, selling a million a year V-38

LIGGETT, LOUIS K.
—editorial, "The Spirit of Distribution" VI-151
Light
—factory, getting better II-96
—how office employees are made efficient by good IX-23
—how to plan for in the store V-132
Limits
—credit, how to set VIII-92
—free delivery, how to fix V-69
—real estate sales, how to record V-172

Line Organization (See also ORGANIZATION)
—principle, how to adopt the II-23, 24
Liquid assets, appraising the value of VIII-173; IX-110
Lists
—county assessor's, how to use for getting names V-84
—real estate, that push special properties V-37
Literature (See also ADVERTISING)
—commercial, how to plan VI-114, 125
Loans
—due, when to set the date for falling VIII-155, 173,174
—farm, how to secure V-26
—security for I-53
—when the banker makes VIII-162
Locals
—for a store paper, how to secure VI-102
—how to advertise by VI-181
Location
—geographical, place of in sales campaigns IV-20
—how to select the right I-145
—new, drawing store trade to VI-192-193
—remote, how to overcome difficulties of V-73
—retail, things that help I-90
—side street, making valuable VI-32-34
—value of a good I-74
Lodges
—how to secure workmen through III-121
—value to bankers of joining V-23

LOGAN, JAMES
—editorial, "Invention in Methods" IX-59

LOOMIS, W. W.
—chapter on Quick Deliveries V-121
Loose leaf
—books, keeping accounts in IX-131
—voucher, for corporation accounting IX-89
Loss
—by accident, how to charge X-96
—how insurance covers VIII-44
—how to recover from I-132
—insurance, how to adjust quickly V-195
—when to take V-85
—where to charge X-58

LOUIS, GEORGE L.
—chapter on Conviction in Selling IV-9

—chapter on Making One Purchase Sell Another IV-193
LOW, FRANK M.
—chapter on Advertising a Men's Store VI-159
—chapter on Cooperation with Salespeople IV-160
LOWMAN J. D.
—editorial, "What Customers Want" III-69
LUMBER YARD
—advertising methods VI-177
—country trade, how to secure VI-180
—newspapers, pulling trade through VI-178
—novelties, winning customers with VI-178
—outdoor signs, using successfully VI-181
—selling methods for V-76
See also SELLING; ADVERTISING

M

MACBAIN A. L.
—chapter on Goods That Sell Themselves V-9
—chapter on Selling Specialties IV-185
Machine
—arrangement, methods of II-96, 110
—efficiency of, how to measure X-17
—estimating value of X-94
—how to check on use of I-41
—how to replace clerks with IX-39
—keeping labor records by X-85
—office, how to use in IX-39, 48, 89, 192; X-39, 85, 197
—operations, making motion studies of II-137
—output, how to increase II-107
—speeds, increasing by time studies II-148
Machine rate, distributing overhead by X-16
Magazines
—advertising, allotting various propositions in VI-49
—advertising in, methods of VI-45, 51
—advertisements, how to key VI-145-146
—sales force for, how to build a IV-150
Mail
—analysis of, how to make I-20
—handling methods I-38; IX-18, 153, 167
—letters, how to seal IX-44
See also SELLING
Mail clerk, duties of IX-19
Mailing, legal definition of VII-158
Mailing lists
—for store paper, how to compile and revise VI-104
—how the retailer can make up VII-95-96
—of prospects, how a bank made up VII-124
—one way to secure for a store V-55
See also SELLING, LETTERS.
Mail sales
—four essentials in getting VII-108
—how a plan was tested VII-78-79
—how a retailer handles and fills VII-105-106
—how to check I-69
—necessity of advertising records on VI-149-150
—planning a complete campaign VII-30
—use of magazine in VI-45
MANAGEMENT 658
—ESSENTIALS
—analysis, right methods of I-27
—balance, methods that keep I-11, 13
—details, how to handle I-10, 14
—forces that guide I-12, 17
—functions of, marking out the I-9, 22
—future, planning ahead I-23, 28
—leadership, how to acquire I-12, 16
—organization, need for thorough I-60
—MEN
—advancement, methods of I-50; II-63
—analyzing, methods of I-30
—application blank, form for III-153
—apprenticeship, how to train by III-140
—arbitration, Filene plan of III-196
—college graduates, jobs that fit III-131, 150
—efficiency, increasing II-62; III-157, 165, 168, 172, 187; IV-93
—efficiency system, paying by II-130

—employment contract III-147
—employment department, how to organize III-126, 130
—employment facts, methods of filing III-128, 155
—employment, notice of III-156
—factory, how to select III-125
—grocery, how to handle I-106
—hiring, getting the knack of III-117
—"leaving" notice III-156
—meetings, how to conduct I-41, 68; II-53; IV-91, 116, 134; X-23
—minimum wage, adopting a IV-165
—office, how to hire for III-146
—paying, methods of II-62, 110, 111, 121, 124, 125, 127, 128, 129, 130, 141, 146, 151, 154; III-126, 145, 170, 175; IV-35
—pensions, when to award III-179
—piece rates, effect of cutting II-59
—profit-sharing, getting more work by III 170, 197; IV-164
—requisition, employment III-156
—retail, how to handle III-152, 165; IV 79
—shop rules, how to use II-19
—sources of supply, finding III-197
—suggestions from, using X-24
—training, methods for I-19, 45; II-20, 110; III-131, 137, 144
—vacations, value of giving III-166
—wages, Santa Fe premium system of II-125, 127
—welfare, associations and clubs for III-173, 180, 184
—when to discharge III-159
See also SCIENTIFIC MANAGEMENT; TIMEKEEPING; SALESMEN

—MONEY

—control, methods of I-12, 16
—place of, finding the I-51; II-10

—METHODS

—callers, how to meet I-61
—control, how to get I-33; II-48
—desk methods of an insurance man IX-56
—details, reports that sift I-20, 35, 36, 37, 38, 39, 40, 65; II-49; IV-26; V-149, 197, 198; IX-33, 197; X-185
—executive committee, working through the IX-34
—executive, systems that speed up IX-52, 55, 57
—files, putting system in IX-53, 56
—graphs, guiding business by I-22; X-161, 170, 176
—portfolio, keeping the day's work in I-63
—real estate, how to put system in IX-56
—reports, making out IX-36, 106
—requisitions, when to "O. K." IX-194
—short-cutting work of I-59

—SCIENTIFIC (See SCIENTIFIC MANAGEMENT)

—MANAGER

—characteristics of, how to judge IX-33
—cigar trade, how to handle quickly I-78
—clothing house, how to direct I-79
—corporation, choosing the head of a I-67; II-29, 42
—department, how to select a I-9
—detail, one way to handle I-12
—development of a I-18, 45; III-147
—elevator factory, story of I-82
—employees, methods of handling III 156, 159, 183
—furniture store, directing a I-81
—judging, methods for I-9
—office location of IX-20
—railroad, how to train I-45
—real estate, how to develop I-74
—shoe business, guiding a I-76
—views on essentials in I-11

—OFFICE (See OFFICE MANAGEMENT)

MANNERS ON
—chapter on Filing Purchase Data III-112

MANUFACTURING 658.12

—advertising in newspapers VI-56
—cost records, forms for keeping X-101
—collections, solving problems of VIII-78
—credit, how to handle VIII-79, 119
—desk methods IX-51
—material, keeping records of II-11
—money for, raising VIII-157
—orders, using the "tracer" on II-163
—office, managing the IX-130
—patterns, finding cost of X-78, 80
—paying, using Halsey system of II-124, 128
—rules, making up II-19
—tools, how to account for X-81

—workers, how to select III-125
See also COLLECTIONS; CREDIT; FINANCE; MANAGEMENT; ORGANIZATION; EMPLOYING

Map and Tack, guiding salesmen by V-137

MARCUS, HENRY
—chapter on Instalment House Credit VIII-143

Mare Island Navy Yard, motion study methods in II-139

Market
—analysis of, how to prepare an IV-19
—daily reports, how profitably posted by a bank V-26
—data, how to file III-12, 13, 81, 121
—how to keep control of I-51
—money, methods of judging VIII-192, 195
—slumps, taking advantage of III-10
See also SELLING

MARTIN, HENRY D.
—chapter on Limits in Corporation Management II-40

"Master" Book
—boiling down balances in IX-76
—results, getting summary of IX-76

Maximum and minimum limits in stockkeeping, fixing with care II-12, 168

McADOW, F. B.
editorial, "The Credit Man" VIII-111

McCONNELL, J. W.
—chapter on Retail Credits VIII-86

McJOHNSTON, HARRISON
—chapter on Backing Up Salesmen by Correspondence VII-146
—chapter on Store Papers VI-95
—chapter on Making Work Interesting III-187
—chapter on Mail Sales to Farmers VII-132

McKINNEY, FRANK C.
—chapter on Mail Contracts VII-156

Mediums
—chart of selling VI-49
—effectiveness of, how to judge the VI-149
—how to use in publicity work IV-20
—keeping a record of advertising in VI-198
See also ADVERTISING

Meetings
—conducting, methods of I-41, 68; II-53; IV-91, 116, 134; X-23
—getting most out of I-64
—executives', control through I-41
—value of to salesmen IV-91

Men
—difficulty of selecting wisely I-117
—how a cost system affects X-21
—how to set a pace for I-10
—importance of knowing your own I-14
—organizing, methods of II-34; IV-82
—promoting, methods of I-50; II-63
—store advertising that attracts IV-80; VI-159
—value of meeting many I-50
See also ORGANIZATION; MANAGEMENT

Messenger service
—employing boys for, in the factory II-63
—planning inter-house IX-163

Military organization, applying the principle of II-23

Milwaukee, selecting a factory location in II-70

MINNEHINNICK, H. J.
—chapter on Day Wages II-141

Miniatures, stock, how to use as samples V-73; VI-69

Minimum Wage, how to install a IV-165

MIX, MELVILLE W.
—chapter on Planning Next Year's Sales IV-23

Money
—enclosures, handling IX-96
—how it influences business I-21
—how the manager secures I-51
—idle, how to handle I-56
—importance of keeping busy I-134
—in the store, returning to dissatisfied customers I-114
—motive, in advertising VI-12
—refunding, as a guarantee in advertising VI-34
—surplus, how to use I-55, 89
—where to place I-12, 16, 51; II-10
See also MANAGEMENT

MONTGOMERY, A. W.
—chapter on Sales Records V-188

MORRON, JOHN R.
—editorial, "Every Sale a Sample" VI-195

Mortgage
—how the instalment house retains hold of its goods by VIII-97
—selecting a real estate VIII-186

Motion studies, methods of mak-

ing II-136
Motives
—how to appeal correctly to the buyer's VI-9
—specimen advertisements appealing to, through pictures VI-20
Motor trucks, methods of using V-128
MOWRY, DON E.
—chapter on Successful Managers I-73
Municipal bonds, judging effect of market fluctuations on VIII-195
MURPHY, CARROLL D.
—chapter on Advertising Appeals VI-9
—chapter on Commercial Literature VI-114
—chapter on Enforcing Deliveries III-102
—chapter on Fire Insurance Sales V-46
—chapter on Hints from Salesmen on Buying III-36
—chapter on Holding Customers through Service V-101
—chapter on Lumber Yard Advertising VI-17
—chapter on Management I-9
—chapter on Testing Letters VII-76
—chapter on Satisfying Complaints by Letter VII-166
MURPHY, M. J.
—editorial, "The Buyer's Responsibility" III-7
Mutual benefit association, how factory cases are handled by III-179

N

National banks, growth of I-127
National Cash Register Company
—advertising methods of VI-114
—sales methods of IV-150
NEEDHAM, HENRY BEACH
—chapter on Fitting Workmen to the Job III-151
Newspaper space
—keeping a record of advertising in VI-198
—methods of advertising in VI-54, 57, 63, 178
—testing sales value of VI-143
—used to advertise a men's store VI-159
—used to attract savings accounts VI-188-189
—vital points in the use of VI-49
New Year's advertising by a men's store VI-161
New York, advantages of for factory location II-70
Non-productive departments, distributing expense of X-113
Notary public, value of one in banks V-27
Notes
—due, "tickler" follow-up for IX-101
—how banks prove IX-140
—how instalment accounts are protected by VII-186
—how to cover legally by mail VII-160
—how to follow up non-payment of VII-186
—how to secure and use I-58
—safe, how secured by one banker V-27
—settling bills by VIII-84
Novelties
—advertising, methods of using as VI-65,70, 185
—eight uses in advertising VI-67
—how to sell V-89
—used by salesmen, as business cards VI-71
Novelty manufacturer
—advertising, methods of VI-70
NOYES, HENRY T. Jr.
—chapter on Shop Construction II-76

O

OFFICE MANAGEMENT 651
—ESSENTIALS
—classifying work, methods of IX-10
—ideas, value of interchanging IX-37
—office functions, how to chart IX-11

—office, handling departments in VIII-30; IX-13
—organization, planning effective IX-9
—ARRANGEMENT
—cashier, locating conveniently IX-27
—clerks, placing the IX-28
—credit manager, where to locate IX-27
—manager, where to locate IX-26
—office, how to subdivide IX-24
—purchasing agent, where to locate IX-27
—plans of actual office arrangements IX-25, 27, 29, 31, 63, 64, 65, 66, 67, 68
—sales manager, most convenient location for IX-27
—space, how to make the most of IX-29, 30
—stenographers, locating for efficient work IX-25
—MACHINES
—computing, office use of IX-46
—dictation, how to use IX-46, 196
—efficiency in the use of I-70; X-192
—manufacturer, used by IX-130
—miscellaneous, economies and uses of IX-48
—overhead carriers, connecting departments with IX-48
—stamping, how to use IX-45
—telephone, speeding work with the IX-41
—typewriters, speeding up IX-42
—HANDLING CORRESPONDENCE
—addressing methods VII-68
—chief clerk, defining the duties of IX-154
—correspondence department, how to organize IX-153
—details, how to handle IX-153
—dictation, developing a system of VIII-120; IX-170
—efficiency methods, saving effected by IX-49, 124
—filing department, how to organize IX-158
—filing, methods of IX-19, 153, 158, 161
—follow-up, how to use IX-154, 162
—form letters, getting essential details in VII-62, 63, 69, 197; IX-43
—head stenographer, office duties of IX-154
—interhouse correspondence blanks IX-163
—letterheads, putting personality in VII-49, 51, 55
—mail analysis, how to make I-20
—"mail bag," how to use I-67
—mail handling methods IX-18, 38, 153, 167
—messenger service, managing the IX-19
—sealing methods IX-44
—sorting methods IX-161
—stenographic records, how to keep IX-157; X-109
—stenographic standard, setting a IX-172; X-109
—stenographic tasks, card on on which to assign IX-157
—testing letters, proved methods of VII-81, 102
—timing motions IX-156
See also SELLING, LETTERS
—SHORT CUTS
—card index, using the IX-48
—economy schemes IX-197
—envelopes, choosing convenient sizes for IX-44
—motions and costs, how to cut IX-193
—postage, stopping wastes in IX-45, 164
—requisition for correspondence, form showing IX-163
—routing work, how to cut motions in IX-30
See also COSTS
Offers
—how to accept by mail or telegraph VII-163
—how to key IV-35
—how to revoke VII-164
—how to record binding VII-162
—suggestions for making by mail VII-164
—suggestions for making by telegraph VII-164
One-price principle, importance of I-22
Open-front envelopes, saving labor with IX-44
Operating cost, computing X-94
Order board
—tracing orders with II-177; X-66
Order blank
—colored, in sales letter tests VII-79
—designing VIII-127, 145; IX-180
—for department purchases IX-114
—how to route II-14, 34, 96, 170; X-35, 70
—order system, planning the II-159
See also ORGANIZATION
Order department
—fixing duties in IX-12
—handling sales in IX-177

—how to organize IX-15
Orders
—acknowledgment, methods of IX-179
—advantage of frequent I-134
—due to advertising, keeping a record of VI-146
—following up shipment on IX-183
—how to fit to expansion I-51
—how to tabulate IV-25
—legal effects of filling VII-164
—proper methods of handling IX-14
—why some mean failure IV-173

ORGANIZATION 658.1
—ESSENTIALS
—analyzing, methods of II-31
—authorities, how to define II-22, 33, 40, 46, 83, 95
—departments, forming necessary II-45, 29
—elements, finding the prime II-25, 26, 28
—elements, prime and working II-27
—line and staff, how to combine II-24
—line principle, when to use II-23
—objects of, determining the II-22
—responsibility, charts that fix II-34, 43, 84, 86, 87, 89, 91, 93, 94
—staff principle, when to use II-24
—MEN
—organizing methods II-34; IV-82, 88
—right, selecting the I-117; II-20
—LOCATION
—advertising from, how to get II-74
—best, how to find the II-9
—city, selecting the right II-67
—factory, recognizing essentials in II-68, 76
—information, where to get II-72
—labor supply, getting close to II-66-68
—transportation problem, solving the II-68
—BUILDINGS
—department store, how to house a I-116; V-129
—details, handling construction II-80; V-130
—plans for, laying the II-9, 33, 75, 78
—shape of, how to choose correct II-79
—PRODUCTION DEPARTMENT
—conveyors, saving labor with II-120; X-24
—functions of, defining the II-13, 62, 85, 94, 160, 187
—factory, following orders in II-162, 174; X-66
—machines, increasing output from II-107
—machines, selecting the right II-110
—methods, finding right II-107, 181
—order board, use of the X-67, 71
—orders, how to design II-161, 163, 182, 184
—orders, routing II-14, 34, 96, 102, 170, 181, 185; X-35, 70
—output, how to report II-50
—plan board, how to use II-177
—order system, planning an II-159
—shop order, methods of handling the II-69, 77
—"tracing card" for following orders II-163
—work in, managing the II-187
—workmen, instructing X-37
—STOCKROOM
—inventory, simplifying the I-127; II-97; III-74, 75
—limits, maximum and minimum II-22, 165; III-17; V-96
—locate, where to V-120
—managing, methods of II-37, 80, 85; X-13, 34
—methods in, studying III-135
—organize, how to X-35
—retail stocks, handling II-104, 166
—stock bins, how to arrange conveniently III-80
—stockkeeper, choosing an efficient II-38, 169
—wastes in, finding X-167
—INSPECTION DEPARTMENT
—factory, working out methods in the II-84, 187, 195, 199
—organization, methods in II-88
—planning the work in II-84, 91, 162
—work of, automatic methods for II-194
See also BUYING
—CORPORATION
—directors, placing the management with II-26
—methods in, working out II-40
—stockholders, putting control in the hands of II-26, 41
—FACTORY
—departments, mapping out the II-83, 97
—foremen, limits of authority

of II-84
—light in, how to secure proper II-96
—machinery, laying out to save space II-96, 98
—piece rates, setting accurate II-60, 146, 149
—paint factory, methods in II-87
—rubber mill, officers and departments in a II-34
—superintendent, defining the powers of II-36
—textile mill, organizing the work in a II-40
—tool room, how to manage II-190
—RETAIL
—department stores, methods of planning I-116
—methods, how to work up paying IV-162
—Park & Tilford stores, organization policies in I-110
—Selfridge's London store, methods used in I-115
—PLANNING DEPARTMENT (See PRODUCTION DEPARTMENT)

Outdoor advertising
—distinctive specimens of VI-85
—how to use against local competition VI-81
—space rates for VI-84
—success in, what it depends on VI-76, 77
—writing copy for VI-84-87
"Outs"
—how the salesman should record IV-105
—how to find V-96
Overhead
—amount of, getting records on X-82
—analyzing the items in management X-182
—charging salary to X-138
—dangers of, if excessive V-100
—eight standard ways to charge X-95
—how to apportion X-50, 92, 127
—how to estimate V-99
See also COSTS
OWEN, S. M. E. B.
—chapter on Filing Cuts and Copy VI-208

P

PAINT STORE
—advertising the IV-54
—novelties, advertising with IV-53, 55, 59
—sales methods, adapting IV-54; V-179
Panic of 1837, how commercial agencies originated in VIII-33
Panics
—causes and effects, finding the VIII-196-197
—the meaning of I-125
Paper stock
—a letter series that sold VIII-31-32
—for booklets and booklet covers VI-120
—quality for different correspondence VII-50
Paragraphs
—cutting motions in spacing IX-169
—how to plan series of, for form letters VII-191
—in sales letters, how to use short VII-62-63
Parcel post
—building sales through V-61
—retailers increasing sales by VII-106
Park & Tilford, story of I-99
Partner
—how to select I-143
—how two worked together V-37
—silent, value of I-80
—value in picking carefully I-80
—value of harmony among I-52
—when to make men III-170
Payroll
—computing, methods of X-86, 90
—different wage payment plans II-58, 62, 110, 111, 121, 141, 146, 154, 161; III-145, 170, 175; IV-45
—how to chart the I-41
—methods of making up X-90
—using machines to compute X-85, 148
—using rate file to compute X-86
PEABODY, F. F.
—chapter on the Credit Man VIII-23
Percentage on wages, method of distributing overhead X-129
Perpetual inventory system, how to use X-46
Personality
—how to analyze IV-154
—how to capitalize I-80
—importance of in the credit man VIII-27
—importance of, to salesmen IV-97, 143
—in advertising VI-112

—in letters VII-9, 196
—in stationery, specimens showing VII-55
Philadelphia, when to select as a factory location II-70
Physical culture expert
—advertising plans of VI-40
Piano dealer
—follow-up for, planning the VII-193, 198
Piano manufacturer
—advertising plans for VI-41
Pictures
—advertising with VI-147
—of goods, effective in drawing trade VII-101, 102
—specimens showing use of product in advertisements VI-47
Piece work
—costs, getting accurate time records of X-47
—how output is increased by II 59
—prices in, cutting II-59
—rates for, determining II 60, 146, 149
Pittsburg, value of as a factory location II-70
Plan board
—how to follow work by II 174
—use of in following orders II-177
See also ORGANIZATION
Plans
—for collections, making successful VII-175
—for construction work, how to frame IV-17
Playground, how a banker profitably established one V-29
Plumber
—collection method and letter series for VII-184
Pneumatic tubes, how a factory tool room uses II-192
Point of contact
—advertisements, building up in VI-10, 25, 31, 35, 40, 160
—letters, how to get in VII-37
—used by salesmen in letters to trade VII-154-155

PORTER, HARRY FRANKLIN
—chapter on Equipment Buying III-51
—chapter on Management II 9
Policy
—collection, how to frame VII-180
—credit insurance, effect of VIII-49
—financial, how to determine I-21
—importance of explaining to fire insurance clients V-52
—insurance, how to fit to prospects V-43
Poor risks, how the credit man sizes up VIII-60
Population, value of watching increases in I-74
Positions
—two ways of filling I-47
Postage
—disbursement methods IX-45, 164
—place of on expense account IV-10
Posters
—how to plan for IV-18
—how to use VI-82
—place of in selling VI-49
Posting
—books, locating errors in IX-120
—how to shorten in store accounts V-199
—invoices to journal IX-132
—purchase journal, methods of IX-132
—to register from voucher IX-90
Post mark, its bearing on the success of a letter campaign VII-71
Power
—as a factor in machine costs II-111
—how to check up use of I-40
—keeping records of II-13
Premiums
—fire insurance, how to figure V-49
—how to fix for credit insurance VIII-48
—paying factory men by II-119
President
—correct place in the organization II-44
—routine duties of I-46
Presiding officer, importance of selecting right, in conventions IV-116
Price
—elements of, finding X-12, 92
—right, getting the III-29

[illegible] F. VINCENT [illegible]
—Contributor to chapter on Going into Business I-90
Price lists, importance of keeping up to date IV-103
Prices
—advances, explaining to your trade VI-103
—concessions, selling stock at X-120
—cutting, when it failed to better trade VI-11
—how the buyer watches II-37
—how they determine your

class of trade VI-22
—how to better your competitor's I-81
—how to chart current I-66
—how to establish the reasonableness of your V-179
—how to get dealers to compare IV-34
—how to secure special introductory I-81
—how to set IV-18
—how to treat competitors' IV-176
—how varied to get mail orders VII-136-137
—importance of, to women IV-197
—influence of, in buying I-57
—lower, how used by catalog houses V-84
—using in newspaper copy VI-55
—value of making popular I-93
—when to cut V-85
—when to display VI-155-156
Price tickets
—in the store, effect of omitting IV-199
—show cards used to bring in store trade VI-155
Pride
—as a buying motive VI-15, 17
—how to use to advantage in retail selling IV-199
—influence of, on callers I-61
Prime cost
—how to charge X-12
—where to find X-92

PRINTING

—accounting methods in IX-70
—advertising records, keeping VI-216
—costs in, finding X-58, 126
—house organ, by contract VI-142
—mail, selling service by VII-120
—records, basing estimates on X-126
—sales methods for, planning V-70
—schedule for VI-139
—shortcuts in buying III-82
PRITCHARD, N. P.
—chapter on Cost Keeping X-31
Production order
—expense of, watching X-183
—how to fit to increased quotas IV-30
—how to design II-161, 182
—how influenced by sales I-17
—planning for straight lines in handling II-31
See also ORGANIZATION
Productive hour, basis of distributing overhead X-15
Professions
—advertising methods used by VI-166
—advertising to IV-21
—handling accounts in IX-148, 149; X-132
Profit
—advisability of withdrawing I-89
—as a buying motive VI-15, 17
—basis for VIII-45
—diminishing under heavy volume of sales IV-30
—gross, how to figure your V-198; X-59
—how to determine X-20
—net, how to figure V-198
—percentage of gross, how to figure V-198
—percentage of net, how to figure V-198
—planning, for next year IV-23
Profit and loss
—statements of, making IX-108; X-190
—how managers watch IX-36
Profit sharing
—rousing employees to efficiency by III-170; IV-163
Promissory notes
—entering records of IX-100
—purchasing with IX-100
Promotion
—making men better workers by III-119
—ways of varying I-17
Proof (See also SELLING)
—compelling attention by thorough IV-10, 189; V-9; V-115
Property
—as a basis for granting credit VIII-14
—improved, how to record in the real estate office V-170
—vacant, how to record in the real estate office V-170
Prospects
—focusing a letter series on various VII-24, 25
—how manufacturers locate them by letter VII-148-150
—how the bank divides VII-123-124
—how the sales letter writer puts himself in the place of VII-132
—information to secure from I-82
—list of, how to handle in a letter test VII-80
—list of, securing by letter VII-140
—lists for the lumber dealer VI-177
—real estate, how to classify V-37
—selecting for the real estate

advertiser VI-172-173
—testing mediums for different VI-52
Psychology
—how it is helpful to the modern salesman IV-149
—principles of, used in letter writing VII-13
Public utility
—advertising methods VI-60
—mail, selling service by VII-117
Purchase invoice, how to use IX-98
Purchase journal, methods of posting IX-132
Purchase order
—how to design III-97
—method of "O. K'ing" IX-20
Purchase requisition, how to design III-94
Purchases
—cooperative, how handled by retailers V-56
—daily reports on total IX-103
Purchasing agent
—handling the work of IX-13
—selecting a man for II-36
See also BUYING
PUTNAM, GEORGE E. B
—chapter on Helping Customers Buy More V-18

Q

Quality
—in advertising, specimens suggesting VI-27
—in goods, importance of in small towns IV-37
—the seller's duty to demonstrate IV-10
Quick Assets
—importance of, in securing a bank loan VIII-172
—report showing IX-110
Quota
—how to determine II-157; X-176
—how to fix for next year IV-27
—setting the right selling IV-24, 99, 128; V-94
See also SELLING
Quotations
—how the salesman should record IV-103
—keeping a buyer's record of II-37

R

RAILROAD
—advertising, distinctive talking points used in VI-166
—costs for, keeping X-177
—employees, characteristics of I-50
—financing a I-131
—graphs, use of by X-177
—how one was developed I-131
—manager for, training a I-45
—managing I-46
—service, striking advertisements of VI-62
RANSOM, C. A.
—chapter on Branch Store Accounts IX-123
Rate books, when to get information from VIII-16
Rate files, computing payroll from X-86
Rate setter (See SCIENTIFIC MANAGEMENT)
Raw material
—how to secure promptly II-165
—importance of nearness to, in selecting factory location II-67
—keeping cost records of X-10
REAL ESTATE
—advertising, points to emphasize in VI-172-174
—desk methods, planning IX-56
—how poster advertising was —used for VI-88
—manage, how to I-74
—mortgage investment, how to handle VIII-186
—office, how to lay out IX-28
—records, keeping right V-36, 166
—sales campaigns, how to plan V-32, 76, 172; VI-109, 175
—selecting prospects for VI-171-172
See also SELLING; ADVERTISING
Receipts
—getting daily report on II-49
—how to handle V-192
Receiving department, how goods are handled promptly II-168; III-102
Reception room, where to locate IX-26
"Record of Sales" card, purpose of IX-119

Records
—daily sales, how to get V-197
—desk methods of keeping IX-55
—monthly sales, how to get V-198
REDFIELD, WILLIAM C
—editorial, "The Habit of Efficiency" II-7
Reductions
—price, how to handle X-120
—price, place in advertising VI-17-18
REED, E HOWARD
—contributor to chapter on Keeping Tab on Work II-53
Reflectors, bonnet, how to use in the store V-136
Refund slip, used for retail sales V-56
Remittances
—acknowledging X-181
—keeping tab on IX-140
—points on how to make VII-73-74
Re-orders
—development of I-133
—how the buyer knows when to make III-80
—value of frequent IV-40
Repairs
—keeping tab on typewriter X-110
—cost of, keeping it low II-13
Repair boss, keeping the machines in order II-17
Reports
—correcting errors in policy by IX-102
—branch store, how to simplify IX-123
—executive, keeping in touch through IX-36, 102
—financial, making up I-36, II-56; IX-104
—manager, guiding the I-20, 25, 36, 37, 38, 39, 40
—orders on, entering I-39
—production, watching II-50
—salesmen, following with V-151; X-116
—value of condensing I-65
See also SELLING; ORGANIZATION
Requisition
—buyer's, how to check III-72
—factory, handling II-171; III-95, 99
—when to get the office "O. K." on IX-194
Resource card, how the buyer puts market facts on III-19
Resources, false statement of X-54
Responsibility
—evil effects of dividing credit VIII-51
—how to delegate I-49
—how to divide department IX-37
—importance of placing definitely I-117
—placing by reports II-50
Restaurant man
—advertising, plans for VI-164
Results
—how to get automatically I-9
—importance of tracing back I-29
RETAILING 658.8
—accounts, keeping IX-113
—advertising methods IV-12, 60
—bookkeeping, methods of IX-120
—bulletin boards, how to use VI-161
—collections, problems of I-122; V-72; VIII-94
—competition, fighting mail order V-82
—costs, keeping X-120
—credit, when to give VIII-86, 124, 133, 136, 92
—displaying goods, methods of IV-61; V-85, 99, 183; VI-155
—efficiency in, getting IX-48
—employees, handling III-152, 165; IV-79
—expense sheet, planning X-120
—financing, methods of I-55, 56
—floor plans, laying out V-31
—getting cash for sales IX-169
—letters, elements of success in VII-97
—mail order campaigns VII-95-96
—organize, how to I-107
—sale, when to charge a VIII-138
—salesmen, making efficient IV-131
—store methods that save steps IX-48
—turnover, securing rapid III-22; V-87; X-166
—window display, selling through IV-56
See also ADVERTISING; BUYING; COLLECTIONS; CREDIT; FINANCE; SELLING
Returns
—advertising, an analytical record of VI-13
—goods, burdens resulting from IV-11
—how to account for V-198
—how to check up I-22
—how to regulate IV-13
—talking point in advertisements IV-14
REVELL, ALEXANDER H.
—chapter on Personality in Selling IV-154
REYNOLDS, GEORGE M.
—chapter on The Banker's

Credit Viewpoint VIII-171

RICHARDS, PERCIVAL,
—chapter on Selling Cost X-114

RIDER, S. P.
—contributor to chapter on Keeping Tab on Work II-49

RILEY, J. EARLE
—chapter on Small Part Costs X-75

RIPLEY, E. P.
—editorial, "Team Spirit" III 115

ROBINSON, FREDERICK
—editorial, "Working with Your Men" II-119

Rockefeller, John D., organizing methods of I-13

ROGERS, SAMUEL L.
—chapter on Designing Cost Forms X-98
—chapter on Hiring Factory Help III-125
—chapter on Purchase Systems III-93

Rotary table, saving minutes in the shop with II-109

Routes, how to record salesmen's V-150

Routing
—orders, in straight lines IX-65
—traffic, methods of IX-20

Rowan system, wage payment method II-125

Rubber mill (See also ORGANIZATION)
—how organized II-34

Running expense, what to charge to X-54

Rural clients
—how to handle V-28
—recognizing in sales campaigns IV-21

Rush orders, how to handle without delay II-165; III-103

RUSSELL, THOMAS
—chapter on Distinctive Advertising Points VI-34

S

Safe, filing valuable papers in IX-162

Safety
—appliances, installing on factory machines III-57
—fixing credit limits for VIII-13
—selecting investments for VIII-189

SAKS, ISADORE
—editorial, "Tomorrow's Profits First" V-91

Sales
—accounts, how to handle IX-95
—expense, how to establish a standard for IV-133
—extending credit on the basis of VIII-15
—first entry of IX-95
—how long it should take to make V-93
—how to classify IV-25
—how to standardize cost of IV-136
—plan in specialty advertising, six fundamentals of VI-65-66
—plan, the vital feature of a form letter campaign VII-142
—Saturday, to win country trade VI-157-158
—sheets, how to handle IV-26
—special, when to hold V-90
—summary, getting daily V-191
—telephone, how to plan V-64
—ticket, using V-199; VI-91
See also SELLING

Salesmanship
—essentials of IV-139
—designing stationery to carry VII-57
See also SELLING

Salesmen
—and house, cooperation between VII-151-152
—expense of, charging X-114
—how the copy writer gets points from VI-113
—how to estimate the value of V-159
—how to record facts about IV-27
—records of, how to keep X-115
See also SELLING

Sales slips
—how to audit V-190
—how to handle on charge sales VIII-133
—how used to draw trade VI-91
—value of IX-119

Samples
—how a paint manufacturer advertised by VII-100
—how the buyer studies III-39
—how to use in building trade I-91
—keeping up-to-date IV-103

—post card to encourage requests for VII-102
—proving cost by X-79
—value of branded I-27

SANDBURG, CARL
—chapter on Advertising in Waste Space VI-88

Santa Fe system, wage payment method II-125

SAMMONS, WHEELER
—chapter on Letter Collections VII-174
—chapter on Scientific Purchasing III-9
—chapter on Selling Service by Letter VII-109

Savings
—accounts, how two banks made it easy for depositors to open VII-125
—accounts, summer advertising for VI-187
—in sales campaigns, how to make IV-23
—ways for investing I-80

SCHMIDT, ROBERT F.
—contributor to chapter on Keeping Tab on Work II-54

Schools
—establishing factory III-142
—for salesmen IV-146, 152
—picking workmen from technical III-119

SCHULZ, ERNEST A.
—chapter on Personal and Professional Accounts IX-145

SCIENTIFIC MANAGEMENT 658.121
—basis of, finding II-9, 58, 60
—efficiency, how to encourage II-62, 110
—foremen in, how to use II-16, 24
—inspector, how to handle the duties of II-17
—machines in, employing II-12
—men, training II-58
—methods of, choosing right II-19, 61
—rate setter, defining duties of II-15
—specialization, increasing II-17, 61
—standardize, how you can II-15
—study, how to II-13
—Taylor system, using the II-16
—time studies, making II-15, 137, 109, 132, 135, 138, 139, 147 IV-135; V-93
See also MANAGEMENT

Scrap heap, saving material from II-166

Sealing letters, machine methods for IX-44

Seasons
—how to follow with charts I-39
—how to plan for following IV-23

Secretary
—handling the day's work II-44
—important duties of I-14
—value of, in handling callers I-65

Securities (See also FINANCE)
—judging the market for VIII 192

Selfridge, H. Gordon, story of I-111

SELLING 658.6

—POLICIES
—campaign, planning the IV-20, 173
—collection man, working with the VIII-101
—consignment, getting profit from IV-10
—cooperation in, how to get V-55
—discounts, when to give IV-175
—distribution, studying the future of III-28; IV-31
—expense of, finding IV-129, 133; V-169; X-115
—market, analyzing the IV-19
—plans, how to prove IV-10, 14, 189; V-9; VI-115
—problems, analyzing I-27, V-80, 195, 181
—quota, setting the IV-24, 27, 99, 128; V-94
—small orders, adopting a policy of IV-40
—small town, solving problems of IV-36
—specialty selling, overcoming problems in IV-185
—terms, how to make VIII-84; IX-16

—DEPARTMENT
—clerks, dividing functions among IX-15
—other departments, cooperating with III-192; IV-23, 149
—successful methods for IV-45, 88, 96, 148
See also OFFICE MANAGEMENT

—SALESMEN
—advertising helps for, how to plan IV-148
—appeal, choosing the right IV-33, 101, 197
—control, methods of IV-97
—conventions of, how to conduct IV-116
—credit information, securing VIII-17, 67
—customer, how to handle tactfully IV-155, 174, 180; V-18, 86; VI-156
—duties, how to define IV-103

—enthusiasm, place of IV-29, 90, 157
—exclusive territory, when to allow IV-126; V-164
—expenses, how to control V-155
—fire insurance, how to sell V-46
—hiring and handling IV-79
—house bargains, how the salesman uses VII-153
—information, sending important III-189
—introductions, judging the value of V-44
—keeping in touch with V-139
—letters, gingering salesmen with VII-146
—life insurance, how to sell V-38, 40
—National Cash Register, sales training methods in IV-150
—personal appearance, importance of keeping up IV-158, 187
—personality, judging the place of IV-80, 154, 161, 188
—presents, when used successfully IV-76
—office, keeping in touch with IV-178
—reports, how to make out IV-46; V-153
—retail, securing efficiency from IV-160
—routing, methods of IV-47, V-143, 156, 158
—self-training, methods of IV-141, 144
—suggestion, power of IV-194; V-42
—tactics, employing successful IV-142, 185, 191; V-39
—talking points, selecting the best V-14
—telephone, how to sell successfully by IV-72, 79, 84, 90, 94, 132, 139, 192; V-106
—trade conditions, learning V-149
—training, best methods of III-133, 137, 151, IV-80, 88, 147, 150, 162, V-108

—LETTERS
—arguments that make men buy, how to develop VII-12, 24, 32, 59, 66, 70, 110, 136
—attention, openings that win VII-33
—campaigns, plans for VII-134, 137
—clinchers that get action VII-17, 26
—details, strengthening letter by care in VII-58, 60, 61, 63, 66, 112
—enclosures, how to handle VII-24, 70
—farmers, methods that win VII-42, 132
—follow-up series, how to plan IV-34; VII-22, 23, 25, 30, 153, 190, 193
—garage, building business for VII-118
—inquiries, how to get and answer VII-23, 191, 196
—length, fitting to your proposition VII-15, 59
—mailing lists, planning and keeping up V-186; VI-104, 138, 149, 152, 190
—parcel post, increasing sales by V-61, 69
—phrasing, effective methods of VII-41
—postscripts, adding personal touches in VII-61
—selling plan, place in IV-33
—service, how to sell VII-109, 115
—special inducements, how to clinch sales with VII-43, 135
—stationery, helping sales with distinctive VII-47, 48, 50, 52, 53
—testing, methods of VII-76, 78, 81
—writer, viewpoint and personality VII-9, 31, 41, 110, 132, 135, 141, 196
See also BANKING; COLLECTIONS, COMPLAINTS; RETAILING; CORRESPONDENCE

—ORDERS
—acknowledgment, methods of X-181
—bills, methods of making out VIII-139
—blanks, how to design VIII-127, 145, IX-180, 182
—credit, how to handle VIII-114
—customer order sheet VII-107
—duplicate copies, handling in office IX-178
—entering, methods of IX-177
—file, how to VIII-120
—record, using "spot in" IX-137
—reporting, methods of I-39
—retail, handling IX-114
—routing, straight-line methods of VIII-128; IX-177
See also ACCOUNTING

—CONTRACT
—binding, how to make VII-157
—conditional, how to secure VII-162
—invalid, what makes a VII-159
—records of, how to keep IX-95
—when letter becomes VII-158, 163

—SHIPPING AND TRAFFIC (See SHIPPING)

—DELIVERY
—cost of, how to cut V-123
—grocery, working up system for I-108
—motor trucks, making service efficient with V-128
—prompt, giving customers II-165; V-121
—RECORDS
—agents' sales, form for recording IV-28
—cash sales, how to keep IX-96
—credit sales, how to keep IX-78
—customers' record, methods for keeping IV-49, V-18, 19, 36, 84, 140, 158, 161, 167, 176, 177; VI-177; VII-153, 193; VIII-147
—house orders, form for recording X-118
—profits and losses, watching IX-136
—reports, summing daily sales in V-191
—salesman, showing efficiency of IV-25, 47, 85, 96, 105; V-163, 179, 186, 194; IX-15; X-158
—salesman's report, methods of making out V-151, 154, 155
—salesman's weekly record, form showing X-116, 117
—salesman's yearly record X-118
—selling facts, filing V-140, 150, 157, 170, 180
See also ACCOUNTING
—COMPLAINTS
—adjusting, methods of III-135; IV-167; VII-166
—correspondence, using "back file" in VII-167
—handling, routine of VII-170
—judging service by I-22
—replies to, making courteous VII-169
—RETAIL
—bank, selling service of V-26
—book store, selling methods V-103
—branch store, keeping stock records IX-124
—cash records, keeping IX-119
—charge sales, how to handle VIII-138
—cigar store, increasing sales in V-75
—clothing store, running a V-73
—cooperate, how dealers can V-55, 71
—cost records, keeping IX-122
—coupon books, how to use IV-57
—credit basis, establishing IX-124
—customers, keeping in line V-78
—customer's ledger, using the IX-119
—department expense, checking IX-118
—department store policies, determining I-113; IV-52; V-60, 127, 188
—displaying goods, methods of IV-61; V-85, 87, 95, 99, 110, 134, 183; VI-155
—drug store, how to run IV-73; V-65, 68, 103, 121
—enthusiasm, working up IV-106
—exchanging goods, methods of V-90
—groceries, how to sell more I-101, 105; V-65, 68
—haberdasher, selling stock of V-16, 126
—hardware, planning campaigns V-15, 62, 117
—hat store, solving problems in I-87
—instalment house, how operated IV-15
—laundry, selling service of V-69, 106
—letters, getting contact in VII-98
—letters, how to use VII-36
—lines, choosing best selling VII-96
—location, getting a good I-90
—mailing lists, getting live VII-95
—mail order, fighting the competition of V-82
—paint, how to sell IV-53; V-179
—parcel post, using the VII-106
—patrons, how to serve V-101
—personality, how to develop IV-53
—printer, learning methods of V-70
—refund slip, advertising the V-56
—sales force, handling the IV-131
—sales ticket, using the V-199; VI-91
—samples, when to give VII-100
—selling plan, how to work out IV-42
—shoe store, adapting methods in I-96; IV-128; V-18, 93, 116
—special sales, announcing VII-104
—stock invoices, getting IX-128
—telephone, selling by IV-63
—testimonials, how to get VII-105
—trial order, getting the VII-103
—turnovers, securing rapid III-22; V-87; IX-121; X-166
—waste motions, how to eliminate V-99

—weather records that help sales V-182
See also ADVERTISING; ACCOUNTING
—WHOLESALE
—advertising, cooperating with dealers in VII-91
—confining sales to one store IV-38
—dealer, keeping on cordial footing with IV-39; V-67, 74; VII-92
—millinery, selling by mail VII-89
—ordering, how to simplify VII-95
—point of view, how to get the dealer's VII-89
—profit, when to talk about in letters VII-86
—sales records, in a grocery V-175
—sales to dealers, increasing IV-10, 37, V-73; VII-83
—studying the dealer IV-32
—"you interest," how to get VII-94
SELZ J HARRY
—chapter on Reorders IV-49
Service
—how to advertise distinctively VI-163-164
—how to sell by mail VII-109-110
—instance of the value of V-106
—how sold by a haberdasher V-17
—how sold by retailers V-15
—how to collect money for VII-182
—importance of retail VIII-87
—letter, selling by VII-116
—personal, value of V-102
—the spirit which should underlie I-113
Seyd's, securing English credit reports from VIII-105
SHEDD JOHN G.
—editorial, "Retail and Wholesale Service" V-7
SHEPARD I. G.
—contributor to chapter on Executive Control II-53
SHIPPING 656.5
—back freight, how to handle IX-188
—claims and damages, how to handle IX-188, 190
—clerk, charting place of, in the organization II-30
—"dray ticket," form showing the IX-189
—freight delivery, blank requesting IX-187
—in-freight, how to check up IX-188
—department, functions of IX-12, 20, 184
—labels, attaching to the order blank III-75
—office details, methods of handling IX-12, 186
—order, planning a simple X-69
—out-freight, method of handling IX-191
—railroad service, how to test IX-190
—records, value of exact IX-95, 184, 187
—shipments, how to follow up IX-183
—shipping receipt, given by the railroad IX-181
—tracing lost shipments IX-184
Shoe factory, kind of buildings needed for II-76
SHOE STORE
—Christmas sales letter sent by VII-37
—cost accounts, how to keep X-120
—fixtures, new styles of V-116
—management methods I-76
—quicker selling methods in V-93
—selling schemes I-96; IV-128; V-18, 93, 116
—unique talking point for VI-168
Shop orders
—how to use X-69
—routing in straight lines X-70
Shop rules, protecting factory men with II-19
Show cards, and price tickets, used to bring in store trade VI-155
Show case, a novel shoe store V-20
Show windows
—how to concentrate appeal of I-104
—how to construct V-132
Sight draft, when to draw VIII-72
Signals
—card record, how to use V-177
—value of button I-65
Signs and posters, how used by the local merchant VI-181-184
SIMMONS E C.
—editorial, "My First Rule of Salesmanship" IV-137
Simmons, Zalmon G., story of I-119
Simplicity
—in layout VI-124
—in letterhead arrangement, seven examples VII-49
—in stationery VII-52-53
—value of, in demonstrations V-14
—why of value in forms I-36
Skilled labor, where to find the best II-68

SKINNER, EDWARD M.
—chapter on Credit Essentials VIII-9
Slips
—c. o. d., how to trace V-192
—description, how to use in real estate offices V-39
—fare refund, how used by retailers V-55
—inquiry, how to use VII-195
—sales, use of, in parcel post packages V-72
Slogans
—advertising, samples of VI-87
—in street car advertising VI-79
Slow pays, how to handle when selling by parcel post V-72
"Slow" stock, clearing up X-55
"Small orders," adopting as a selling policy IV-40
Small Parts, finding cost of X-75

SMITH, GEORGE C.
—chapter on Bank Letters VII-123
Solicitors, need of care in selecting I-108
Sorting
—incoming mail IX-154
—correspondence for filing IX-158
Soup manufacturer, advertising campaign, method of testing an VI-143
South American trade, how a booklet was designed for VI-114-115
Specialties
—advertising use of, six fundamentals of sales plan for VI-65-66
—dropping unprofitable X-55
—how to sell IV-186
Specifications
—for making up booklets and printed matter VI-125-126
—how to place orders by III-13
—how to use IV-17
Speed boss, regulating machine speeds II-17
Spoiled work, keeping track of, by reports II-52
Staff principle, applying in organization II-24
Stamping machine, cutting office costs with IX-45
"Stamper," method of handling retail charge sales VIII-133
Stamping and sealing envelopes, their bearing on pulling power of letters VII-67-68; IX-45
Stamps, rubber, how to use VII-193
Standardization, increasing output by II-15

STANGER, WESLEY A.
—chapter on Accounting Room Arrangement IX-61
—chapter on Office Arrangement IX-22
—chapter on Executive Shortcuts I-59
—chapter on Office Shortcuts IX-192
Staples
—buying, development of methods of I-139
—how to advertise VI-14
—how to judge from samples I-103
—how to make distinctive to prospects VI-30
—how to sell IV-37-38; V-89
—how to test out I-55
"Star list" of dealers, keeping up advertising service on VI-57
State Bank of Chicago, loan application of VIII-168
Stationery (See SELLING, LETTERS)
—getting sales value in VII-50
Statistics
—comparison of X-180
—how the credit department keeps VIII-165
—how to use I-29
Steel mill, laboratory inspection methods in II-195
Stenographers
—how to check on I-20
—how to select good III-148
—methods of distributing in the office IX-25, 174
—obtaining costs on X-108
—use of, at conventions IV-122

STEPHENS, GEORGE L.
—chapter on Filing Contracts VI-213
St. Louis, advantages of factories located in II-70
Stock
—analyses of, how to use profitably V-179
—dead, how to avoid V-86
—how to classify, replenish and identify V-97
—producing for II-157
—shortages, avoiding in the factory II-164
—value of knowing well IV-56
Stockholders
—influence of meetings of, on forecasts IV-24
—right place in the organization II-26

Stockkeeper, importance of in cost system X-13

STOCKKEEPING 657 93

—accounts, how to keep X-13, 81, 193
—branch store methods IX-124
—location, choosing a convenient V-120
—materials, methods of arranging II-104, 166
—methods in V-116
—ordering supplies from stock X-112
—overstocks, how to avoid III-23
—planning arrangement in X-34
—requisition, how to handle II-11, 171, 182; III-79, 87, 88, 93
—value of system in X-13
See also ORGANIZATION; COSTS

Stop watch, how modern managers use II-16, 60

Store
—advertisements, having the clerks read and sign VI-154-155
—advertising, by hand bill VI-153
—associated, how to handle V-122
—clerk, place in the organization II-30
—financing, principles underlying I-55
—how to lay out V-136
—mail sales methods for VII-95-96
—papers, four types of VI-99
—papers, organizing material for VI-104-105
—using a novelty to bring the customer in VI-70

STRADLEY EDWARD M
—chapter on Factory Control II-33

Street car advertising
—how to test and check VI-144, 183-184
—how to use VI-82

Suit, when to bring, in collecting VII-178

Sundry expense, what to include in X-60, 187

Supplies
—danger in large purchase of X-98
—department, charging to the X-112
—how to keep tab on X-112
—methods to follow in buying III-78

Superintendent
—correct place in the organization II-30

Suspense account, how the credit man keeps VIII-130

T

Table of contents, how to make up VI-133

Tables, how to use in the store V-135

Tabulation
—cost facts, showing by X-154
—setting forth the facts of management II-60
—value of, in analyzing problems I-30

Tags, price, how to use V-88

Talking points
—advertising, finding new VI-29-30, 131
—for the store VI-160-161
—where the banker finds them VII-127-131

Task and bonus, system of wage payment II-62, 113

Taxes
—real estate, how to check on V-174

Taylor system, wage payment method II-128

Telautograph, value of the I-70

Telegraph
—charges, place of, on expense accounts IV-110
—place of, in making contracts VII-158-159
—securing rush deliveries by III-108
—sending messages to traveling salesmen by V-145
—tracing delayed goods by II-187

Telephone
—advertising service by window display of VI-83
—and motorcycle service, how a sales letter made talking points of VII-115
—as a delivery follow-up method III-108
—charges, place of, on expense accounts IV-110
—how a grocer featured service in his form letters VII-117
—how clerks should talk over the IV-74
—how to plan an inter-department IX-41
—how to use in collecting money VII-187
—how used to push parcel post sales V-65

—selling by, methods of IV-63
Templates, using, in arranging machines II-97
Terms
—how affected by qualifications VII-164
—how to establish in collection letters VII-176
—how to make by mail or telegraph VII-161
—how to state on invoices VII-179
—possibility of changing in contracts VII-163

TERRELL ALFRED
—chapter on Manufacturing Accounts VIII-119
Testimonials
—how to handle in circular VI-132
—relation of, to policies I-23
Tests
—advertising, how to measure up VI-26, 143, 175
—credit, how to make IX-71
—demand, how to judge by III-15, 24, 61 63; IV-21
—letters, methods of proving VII-76, 81, 102

THOMAS, L. I.
—chapter on Training Boys III-139
"Tickler" card (See also SELLING)
—how to use V-162; VI-179; VII-104, 193; IX-149
Time
—conserving, when callers come I-63
—employees', how to determine value of X-136
—how to check on the salesman's IV-83
—importance of figuring your own I-14
—records, making out X-36
—six causes for lost I-60
—ways to use spare I-83
Time card
—analyzing the X-98
—how to plan the X-38
Time clerk, as part of cost system X-35
Time clock, keeping color record of "lates" X-87
Timekeeping
—expense of, keeping track of IX-39
—how machines cut cost of IX-39
—report, method of making X-23
—time card, how to design X-38, 68, 127, 134, 140, 143, 153
See also COSTS
Time recorder, checking employees with IX-47
Time studies, methods of making II-132; V-95
Toilet article manufacturer
—advertising methods VI-70
Tool room (See also ORGANIZATION)
—manager for, how to select II-190
Tools
—checks, saving time by doing away with II-190
—cost, computing factory X-76
—how to standardize II-149
Tracer
—factory, keeping tab on orders with II-163
—railroad, following lost shipments with IX-184
Traction engine concern
—advertising campaign methods VI-9
Trade mark
—advertising, how to use in VI-182
—exploiting by window sign VI-83
—how magazine advertising has established VI-45-46
—how to build a retail IV-54
—specimen street car cards exploiting VI-80
Traffic
—department, functions of IX-12
—methods of handling shipments I-47; IX-20
Transfer order, blank used for IX-124
Transportation
—charges on mail orders, paid by the retailer VII-105
—influence of, on trade I-133
See also ORGANIZATION; SHIPPING
Trial balance
—striking a IX-104
Trial shipments, how to handle IV-34
Trucking, finding the cost of II-73
Trucks
—handling factory materials with II 96
—keeping a load on the IX-188
—motor, how to sell V-11
Turnovers
—as basis of department expense IX-122
—how to secure rapid III-22; V-87; X-166
—one way to secure quicker V-112
—value of quick IV-40
Type
—arrangement, pointers on VI-131-132
—choosing for an advertisement VI-46
—styles, suited to stationery in different lines VII-52

Typewriter
—for form letter use VII-77
—getting greater efficiency from IX-42
—how to bill on IX-42
—keeping cost records on X-180
—repairs, keeping cost record of X-110
—ribbons, how to match with form letters VII-64
—value of standardized IX-175

U

Understudies, how to recruit I-49
Underwriter, method of extending credit insurance VIII-47
Uniformity in stock, how to secure I-103
Unit system
—keeping office records by IX-48
Unit type fixtures, how to use V-112
Unskilled workmen
—how to secure good III-123
—inspecting the work of II-123
Utility as a buying motive VI-15-17

V

Vacations, increasing efficiency by offering free III-166
VAIL, THEODORE N
—editorial, "Making Work Profitable" IX-7
Variations in inventory value, how to determine IX-106
Venders, automatic, future of, in retailing V-120
Vertical files, handling unfinished business in IX-53
Volume of business
—how to predict IV-27
—possible danger in large I-78
Voucher
—how to check orders on IX-86
—register, keeping details of settlement in IX-116
—simple forms of IX-92
—system, paying bills by IX-86
—use of, in handling expense accounts IV-111

W

Wages
—determining by competition III-154
—efficiency system, paying men by II-130
—how machines are used to compute IX-40
—minimum wage, adopting policy of IV-165
WANAMAKER JOHN
—editorial, "My Measure of Success" I-7
—sales training methods IV-152
Want slips, how clerks keep track of demand by III-25
Wastes
—cost methods that locate X-21
—cutting out X-31
—expense, how to check X-162
—in selling motions, how to locate V-99
—locating by graphs X-161
—stockroom, cutting out in X-167
—where to charge X-58
Watchmen, duties of factory II-92
[illegible] E. W. A.
—chapter on Expense Accounts IV-110
—chapter on Hiring and Handling Salesmen IV-79
—chapter on Map and Tack System V-137
—chapter on Self-Training in Salesmanship IV-139
—chapter on Team Work among Salesmen IV-88
Water transportation, selecting a factory site near II-68
W[illegible] EDWARD L.
—chapter on Expense Control X-181
WEINFELD CHARLES
—chapter on Selling Life Insurance V-38
Welfare work, helping men through hard times III-173, 180-181, 184

WENZEL, J. F.
- —chapter on Retail Accounting IX-113

WHOLESALING 658.7
- —accounts, system for keeping VIII-113
- —collecting debts in VIII-67
- —costs, finding X-59, 158
- —credit, methods of extending VIII-67
- —difficulty in financing I-57
- —financial methods VIII-157
- —how to collect money in VII-181
- —sales, how to handle V-152
- See also COLLECTIONS; CREDIT; FINANCE; SELLING

Wholesale grocer
- —financing, methods of I-52

WILBER, MARSHALL P.
- —chapter on Office Costs X-107
- —chapter on Office Workers III-146

WILSON, WILLIAM E
- —chapter on Correspondence Methods IX-153
- —chapter on Office Functions and Departments IX-9
- —chapter on Sales Accounts IX-95
- —chapter on Sales Orders IX-177

WINDES, Z. F.
- —chapter on Real Estate Shortcuts V-166
- —chapter on Selling Real Estate V-32

Window display
- —how to sell direct from V-119
- —importance of planning for IV-18
- —place of, in selling VI-49
- —retail store, planning IV-56
- See also ADVERTISING

WOOD, FRANKLIN W.
- —chapter on Dealer Sales VII-85
- —chapter on Form Letters VII-22
- —chapter on Letter Phrasing VII-41

WOOD, H. M.
- —chapter on Making Clerical Work Automatic X-192
- —chapter on Maximum Machine Output II-107

WOODHEAD, WILLIAM
- —editorial, "Your Short-cut to Business" VI-7

WOODS, CLINTON E
- —chapter on Organization Elements II-22

Woodworking plant
- —finding costs in X-66

WOOLLEY, EDWARD MOTT
- —chapter on Advertising Points of Contact VI-23
- —chapter on Getting Out the Mail IX-167
- —chapter on Retail Selling By Quota IV-128
- —chapter on the Park and Tilford stores I-100
- —chapter on Selling Methods V-93
- —chapter on The Business Man's Desk IX-50

Work cards, putting definite instructions on II-19

Wrapping department, use of conveyors in II-101

Z

ZIMMERMAN, T. J
- —chapter on Commercial Agency Methods VIII-32
- —chapter on Credit Insurance VIII-43
- —chapter on Retail Credits VIII-133

ZIMMERMAN, W. S.
- —chapter on Dealer Cooperation V-55
- —chapter on Retailing by Parcel Post V-59
- —chapter on Selling to Dealers V-175